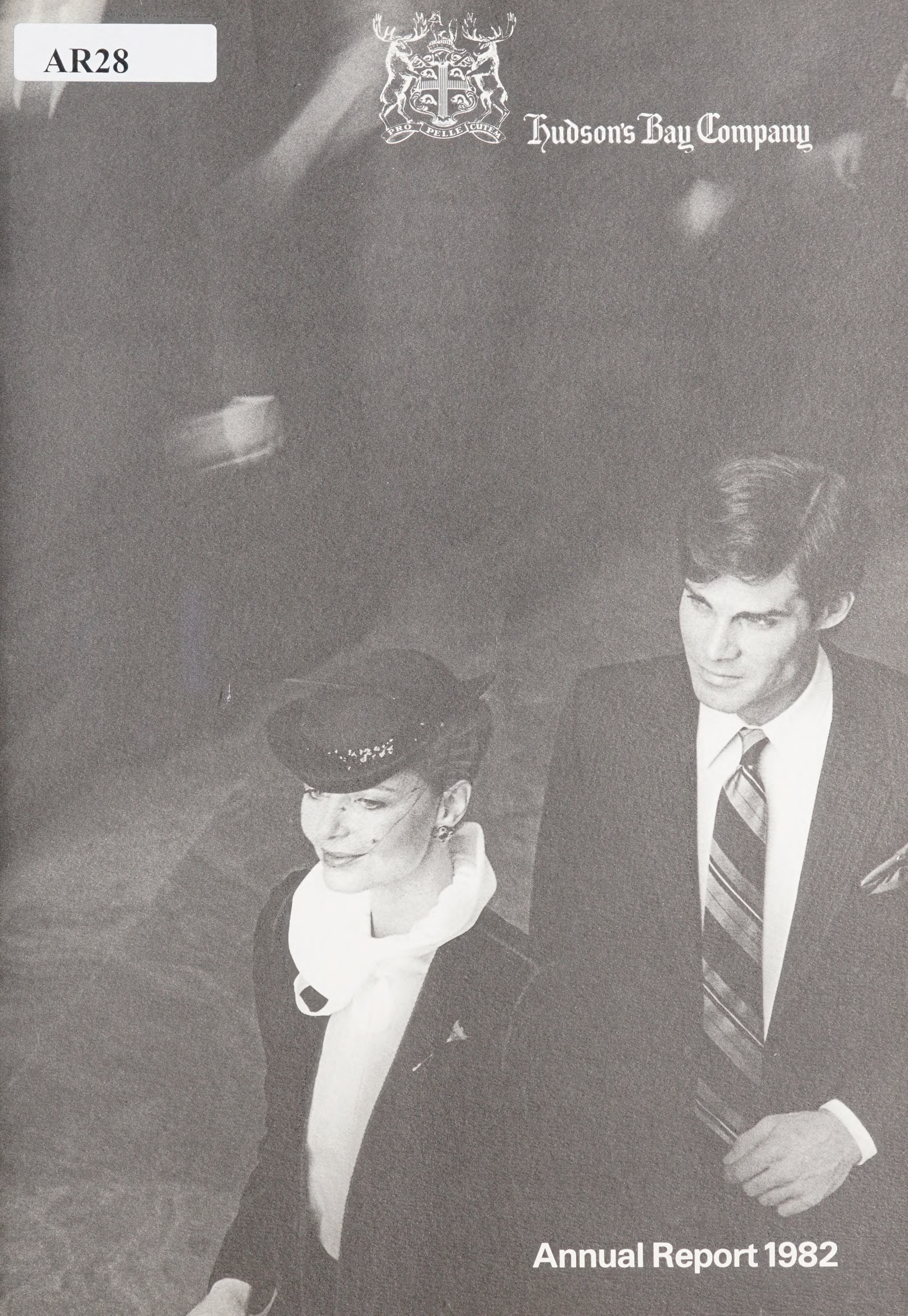
Hudson's Bay Company



Annual Report 1982

The 314th Annual Meeting of Shareholders

will be held at the Westin Hotel, Winnipeg, Manitoba, on May 31, 1983 at 12 noon.

On peut obtenir ce rapport annuel en français sur demande.

Financial Highlights

	This Year 1982	Last Year 1981
		in millions of dollars
Sales and revenue	**4,138.7**	4,172.4
Earnings (loss) before extraordinary items	**(122.2)**	3.7
Extraordinary gains (losses)	**(5.4)**	382.5
Net earnings (loss)	**(127.6)**	386.2
Cash flow	**(104.7)**	51.0
Capital expenditures	**120.3**	147.6
Shareholders' equity	**1,049.0**	1,207.3
		in dollars
Per Ordinary Share:		
Earnings (loss) before extraordinary items	**(5.63)***	(.34)
Dividends	**.75**	1.20
Equity	**38.00**	44.58

*Of the $5.29 per share deterioration in earnings, $4.01 arose from the decision to discontinue taking credit for the expected future tax recovery resulting from the carry forward of certain current tax losses (see page 2).

Directors' Report to Shareholders

SUMMARY

In 1982 Canada continued to suffer through its deepest and most prolonged recession since the depression of the 1930's. Consumers, affected by a price/income squeeze, shocked by high interest rates and a very real threat of unemployment, were forced to curtail their spending. In these conditions, your Company, which is predominantly a retailer, fared badly, incurring a loss per ordinary share of $5.63, compared with a loss of $0.34 per share in 1981.

Of the $5.29 per share deterioration in earnings, $4.01 arose from the decision to discontinue taking credit for the expected future tax recovery resulting from the carry forward of certain current tax losses.

Operating profits from merchandising, a sector hard-hit by the recession, declined significantly. Conversely, operating profits from natural resources were up as dividends from Dome Resources in 1982 were substantially higher than dividends the year before from Hudson's Bay Oil and Gas Company Limited (HBOG). Operating profits from real estate were up in 1982, but profits on disposals of real estate were substantially lower than the year before.

During the year the Company moved vigorously to position itself to achieve a profit recovery when economic conditions permit. Actions taken include:

- a strict expense control program, which reduced personnel and froze salaries and wages;
- a sharp curtailment of planned capital expenditures;
- an inventory control program which, despite inflation, reduced the value of year-end inventories by 5.8% and lowered carrying costs significantly.

Two important financial transactions have been completed since the year end: the sale in February of a new issue of $112.5 million 9% Exchangeable Preferred Shares and the redemption in March by Dome Resources of $455 million Company-owned preferred shares. These transactions have enabled the Company to significantly reduce its short-term debt and improve its debt/equity ratio.

CORPORATE DEVELOPMENTS

Dome Resources

Shareholders will recall that, in January 1982, the Company effectively disposed of its former investment in HBOG to Dome Petroleum in return for 7.7 million preferred shares of Dome Resources, retractable in three years at $57.50 each. During 1982 Dome Petroleum offered to purchase significant quantities of these shares, initially at a price of $50.00 per share, and subsequently at $55.50 per share, but the Company did not tender. Then, in January 1983, Dome Resources announced that it would redeem the entire issue at $58.80, being the full stated price plus accrued dividends. On March 25, 1983, the Company received $455 million, which was used to reduce bank indebtedness. At some time in the future the Company intends to reinvest all or part of the proceeds in the natural resource sector.

Hudson's Bay Company Preferred Share Issue

A new issue of $112.5 million of preferred shares was sold in February 1983. Each share has a stated value of $25.00, a 9% dividend rate, and is exchangeable at any time up to March 31, 1990 for three Class B shares of Simpsons-Sears Limited, now owned by the Company.

If all the preferred shares are exchanged, the Company's interest in Simpsons-Sears Limited will be reduced from 88.4% to 50.02% of the Class B shares, and from 35.6% to 20.15% of all the outstanding shares, of Simpsons-Sears. The disposal of the Simpsons-Sears shares is in accordance with the Company's previously expressed intention to sell this investment at an appropriate time.

TAXES

In 1982, in accordance with generally accepted accounting principles, the Company discontinued taking credit for the expected future tax recovery resulting from the carry forward of certain current tax losses. This action had a negative impact of $4.01 per share on 1982 earnings.

Based on the current outlook for the Canadian economy, the Company expects to recover cumulative tax losses incurred to date amounting to $320 million. Credit has been taken for approximately 40% of this amount. If these losses are not recovered against future taxable income, they will for the most part expire in 1987 and 1988.

1982 RESULTS

The Company incurred a loss of $122.2 million before extraordinary items in 1982, compared with earnings of $3.7 million the year before. After deducting dividends paid to preferred shareholders, there was a loss of $5.63 per ordinary share in 1982, compared with a loss of $0.34 per share in 1981.

Sales and revenue were $4.1 billion in 1982, virtually unchanged from the year before. The fourth quarter provided some encouragement for 1983 as retail sales (excluding Shop-Rite sales last year) were ahead by 7.7%, compared with a gain of 1.8% for the year as a whole.

Merchandising operating profits declined to $22.1 million from $107.0 million in 1981. The weakness in consumer spending that became apparent in mid-1981 continued through 1982 and severely affected the operating results of the three wholly-owned retail companies, The Bay, Simpsons and Zellers. All these retail operations experienced difficulties in maintaining margins in a highly-competitive environment. Fur profits were down, principally because of lower prices. Wholesale profits declined as independent retailers, who comprise the majority of the department's customers, reduced their purchasing in response to the recession.

Real estate operating profits were up by 12.3% to $39.0 million. Income property results were satisfactory but land development operations were hampered by high interest rates. Profits on real estate disposals, however, declined to $8.0 million from $32.3 million in 1981.

The increase in natural resource operating profits from $16.2 million in 1981 to $60.6 million in 1982 resulted principally from the substitution of high-yielding preferred shares of Dome Resources for low-yielding common shares of HBOG.

Finance costs increased by 7%. The cost of increased borrowing was partially offset by declining interest rates. The prime rate began the year at 16½%, moved in the 16½% to 18¼% range until July, then declined steadily to 12% at year end. The average cost of borrowing was down from 15% in 1981 to 13½% in 1982.

An extraordinary loss of $5.4 million was recognized in 1982, arising from discontinued operations. In 1981 the Company had recorded extraordinary gains of $382 million, principally from the exchange of HBOG shares for preferred shares of Dome Resources.

Donald S. McGiverin, Governor and President
Alexander J. MacIntosh, Deputy Governor

DIVIDENDS

In order to conserve financial resources, the Board reduced the quarterly dividend on ordinary shares from 30¢ per share to 15¢ per share, effective July 31, 1982.

MANAGEMENT ACTION

In response to the continuing downturn in the economy and the Company's unsatisfactory results, management has taken additional measures to restore the Company to profitability and to strengthen its financial condition. These include:

- Curtailment of long term retail expansion plans – The number of new stores in the planning stage and the amount of funds to be spent on modernization and expansion of existing stores have been cut back. This will reduce both fixed and working capital requirements and will permit management to focus more attention on improving the productivity of existing stores.
- Accelerated rationalization of distribution activities – Combining warehousing and trucking for the three retail companies has already produced substantial savings. A number of surplus warehouse facilities have been or will be sold.
- Store closings and transfers – Simpsons closed its obsolete downtown Ottawa store in January 1983. Zellers closed thirteen stores during 1982, although some of these were replaced by newer, larger stores in the same markets. The Bay is transferring five stores in eastern Canada to Simpsons or Zellers. These stores are in communities where the new operating company has a stronger market recognition or better facilities for transporting merchandise than The Bay.
- Reduction of merchandise inventories in all three retail companies, permitting lower carrying costs – Despite inflation which, for department store type merchandise, is estimated at 8%, merchandise inventories at the year end were 5.8% lower than a year ago. New computer systems currently being introduced are expected to

provide even greater efficiencies in control of inventories.

- Reduction of operating expenses – As payroll is by far the largest element of cost, the burden of this reduction unfortunately fell on employees, whose numbers declined. Part-time employees were the first to be affected, but the number of full-time staff, including executives, was also reduced. Wage increases, which had been in the 9% to 12% range in 1981, were reduced to an average of 8% in 1982. In January 1983, after reviewing the retail outlook for the early part of the year, management decided to freeze executive salaries through 1983, and to defer increases of non-executive salaries for six months. These measures will enable the Company to protect employment to the greatest degree possible.

ECONOMIC CONDITIONS

Real economic activity in Canada fell 4.8% during 1982, producing the sharpest drop in business activity and the material well-being of Canadians since the depression of the 1930s. While 1983 will see the start of economic recovery, real growth will be slow, probably in the 1% to 2% range. A higher rate of growth is expected in 1984.

One of the keys to eventual recovery is consumer spending, which should begin to grow modestly, stimulated by further disinflation and by an improved economic environment, but restrained by a continuing squeeze on real incomes, and by persistent high unemployment.

Along with reviving consumer spending, Canada's national economic recovery will be led by increases in housing demand and export sales, and the end of the present massive inventory liquidation. On the other hand, non-residential capital spending will continue to fall and government expenditures will remain restrained. In addition, significant capital formation will be postponed until corporate balance sheets improve and plant capacity utilization rises.

In summary, the worst of the current recession is behind us. Recovery should begin in 1983 and show some real strength in 1984.

OUTLOOK

The Company's immediate prospects are closely tied to the overall performance of the Canadian economy and, particularly, to consumer spending.

In merchandising, the opportunities for further savings through reduced expenses are limited. Accordingly, a significant recovery in retail profits is dependent on the timing of the economic upturn.

Real estate results are expected to improve if interest rates remain at or below present levels. Housing starts have already turned upwards, which is an encouraging sign.

The redemption of the Dome Resources shares will reduce natural resources dividend income by $38 million, but there will be a related substantial decline in finance costs.

Your Company is well positioned to achieve a recovery even if, as most experts predict, the thrust of growth is blunted somewhat by continuing high unemployment and a more cautious attitude by consumers. Your Company has cut its costs sharply during the last two years, rationalized administration, warehousing and distribution processes, and introduced new management information and communications systems.

We believe that the combination of lower costs, increased productivity and proven merchandising skills will both protect your Company's position as the leading retailer in this country and permit the Company to move forward with new vigour when conditions permit.

BOARD

The Board accepted with regret the resignation of Mr. G. Allan Burton last September. Mr. Burton was Chief Executive Officer of Simpsons prior to its acquisition in 1979. We thank him for his valuable contribution as a director since that time.

With deep regret we record the death, in December 1982, of Mr. Allan McGavin of Vancouver. He served with distinction and enthusiasm as a director of the Company from 1969 until his retirement in 1981.

APPRECIATION

The support and co-operation given by our employees during a very difficult 1982 are recognized and deeply appreciated. We also extend our thanks to our customers, our suppliers and our shareholders for their continuing confidence.

On behalf of the Board

D.S. McGIVERIN, Governor and President
A.J. MacINTOSH, Deputy Governor

March 25, 1983

MERCHANDISING

Operating profits from merchandising (before interest and taxes) declined to $22.1 million in 1982 from $107 million the year before.

The Company's five merchandising operating groups all had reduced profits during the year. Information on their operations may be found on the following pages.

Equity earnings (or losses) from Simpsons-Sears Limited, Eaton Bay Financial Services Limited and Hudson's Bay Distillers Limited, and results of HBC Travel Limited are also included in merchandising results. The liquor company improved its earnings in 1982, but the results of the other companies declined.

Net earnings of Simpsons-Sears Limited for 1982 were $27.2 million or 31¢ per share, compared with $31.9 million or 37¢ per share in 1981. Hudson's Bay Company's 35.6% equity share of the net earnings of Simpsons-Sears was $9.1 million and dividends received from that company amounted to $6.2 million. Sales of Simpsons-Sears were $3.1 billion in 1982, an increase of 0.2% over the previous year. In 1982 Simpsons-Sears opened new stores in Dartmouth, Nova Scotia and Chatham, Ontario, and at the year end operated 72 retail department stores and 1,263 catalogue sales units.

The results of Eaton Bay Financial Services Limited were again affected by narrow spreads in interest rates coupled with mismatching of assets and liabilities. During the year the mismatch was corrected, providing the basis for profitable future growth. At year-end two trust company subsidiaries were amalgamated to provide growth opportunities and decreased expenses. The general insurance subsidiary was sold but a marketing agreement provides for the continuing sale of this product. Life insurance and mutual fund sales increased significantly over the previous year.

Despite reduced product volume, profits of Hudson's Bay Distillers improved because of higher margins and carefully controlled expenses. The company distributes Hudson's Bay liquor products and various wines in Ontario and the western provinces.

HBC Travel Limited was formed in 1982, combining two companies that had operated travel offices in Simpsons and The Bay. The new company acquired a majority interest in Wayfarer Holidays Limited. HBC Travel Limited is now positioned to participate fully and profitably in the Canadian travel industry.

the Bay

A year-long slump in consumer spending was the principal cause of disappointing results of The Bay in 1982. Sales, at $1.6 billion, were ahead by only 0.6% on a comparable basis (after adjusting last year's sales for the closing of Shop-Rite on January 31, 1982). This marginal increase compares with average annual sales increases of 13% in the previous four years.

Operating profits of The Bay declined substantially, primarily as the result of reduced sales and lower margins caused by competitive activity.

Sales were below the previous year through the first three quarters, then increased in the final quarter. Sales changes by quarter during the year were: 1st quarter – 0.5%, 2nd quarter – 2.1%, 3rd quarter – 2.0%, 4th quarter +5.5%.

Geographically, sales were relatively strong in Manitoba, Saskatchewan and in the Ottawa area, but very weak in Alberta, the last area to feel the full effects of the recession. Pronounced sales declines continued to occur in a number of one-industry communities where there were layoffs or plant closings.

Sales of big-ticket items – home furnishings and appliances – suffered severely but sales of electronics and video, including computer games and video cassette recorders, were very strong. There was some transfer of business from medium and high quality fashion apparel to convenience and lower priced merchandise.

The rate of gross profit deteriorated as margins remained under competitive pressure throughout the year. In addition, there was a shift in the blend of sales from higher to lower margin merchandise.

Expenses were well controlled despite higher utility, energy and local tax costs. Payroll and other operating expenses were reduced in response to the decrease in the real volume of business.

Store expansion activities were reduced from the levels of recent years, following the Company's decision a year ago to concentrate more on enlargement and modernization of existing stores and less on new outlets.

The Bay opened its second Quebec City store in August. Located in the successful Place Laurier centre, the new 131,000 sq. ft. facility was well received by customers. The Bayshore store in Ottawa was expanded during the year from 123,000 to 181,000 sq. ft. by the addition of a third floor. A 27,000 sq. ft. expansion and modernization was completed at the Toronto flagship store at Bloor and Yonge. Eight smaller stores were expanded or replaced and one was closed.

Construction continued on the $20 million expansion and modernization of the downtown Ottawa store, which will be integrated with Rideau Centre, a large new retail and hotel complex in the heart of the city. The Centre itself and the first part of The Bay expansion were opened in March 1983. The remainder of the expansion and modernization of the existing store will be completed by mid-1984.

Four Bay stores in Eastern Canada were closed during the year, pending transfer to Zellers. A store at Sydney, Nova Scotia, was transferred to Simpsons in February 1983. These stores are located in communities where Zellers or Simpsons have stronger potential market penetration or are more conveniently located for distribution of merchandise than is The Bay.

As a further convenience to its customers, The Bay, which was the first major Canadian department store to accept bank cards, announced in September a reciprocal acceptance of credit cards with Simpsons.

The Bay revised its promotional activities with greater emphasis on television rather than print advertising, a new multi-stripe design for packaging and visual presentation, and a new slogan, "Come on Canada, meet you at The Bay".

Major organizational changes were implemented at year end. In Alberta, two administrative groups were merged and, in the National Stores Department, three groups were consolidated into two. The Bay expects to achieve significant efficiencies through combining services and re-allocating responsibilities.

Although consumer spending is not expected to be strong in the first half of 1983, there are opportunities for sales growth in selected merchandise areas. The Bay intends to pursue these opportunities aggressively. At the same time expenses and inventories will be kept under firm control. The Bay expects to be more profitable than it was last year, even under continuing depressed economic conditions, and should benefit significantly from any strong consumer recovery.

Dress by Albert Nipon
from the Mirror Room at The Bay

Simpsons

Sales for fiscal 1982 decreased 3.4% to $732 million from $758 million in 1981.

Extremely weak consumer demand through the first three quarters of 1982 severely affected volume and merchandising results. Sales increased during the last quarter and expenses declined considerably, reflecting strict disciplines applied earlier in the year. These improvements did not, however, offset the overall disappointing shortfall in merchandise profit which resulted from competitive pricing and higher-than-planned markdowns.

There were improvements in several fashion, apparel, and accessory departments, as well as very strong demand for electronics, home entertainment, and housewares categories. Sales were particularly weak during the first three quarters in major appliances, furniture, and other home goods, but improved in the latter part of the year.

Simpsons has successfully reduced its inventory and achieved modest improvements in turnover. These results reflect plans to convert certain warehouse facilities for central merchandise distribution direct to stores rather than maintaining costly storage. Simpsons has been able to close warehouses in Toronto, Montreal, London and Halifax. A new merchandise investment management function was successfully implemented early in the year to reduce merchandise investment requirements and improve merchandise support processes and systems.

Simpsons opened two new 124,000 sq. ft. stores during the year, one in Warden Woods Mall, Scarborough, and the other in Cataraqui Mall in Kingston. The outdated 83,000 sq. ft. store in Ottawa was closed at the end of fiscal 1982. Work has begun on the new 150,000 sq. ft. flagship store in Halifax, which will open in August 1983, replacing the existing outdated facilities. In March 1983 Simpsons opened a store in the Mayflower Mall in Sydney, Nova Scotia, converting and upgrading a store acquired from The Bay.

Last November the newly refurbished main and third floors of the downtown Montreal store were opened. This project is expected to improve the store's market share in women's fashions and accessories. Two more floors are currently being refurbished. When opened in the fall of 1983, these will provide Simpsons with vastly improved facilities for marketing men's apparel and related accessories, housewares, and other key commodities.

A number of changes have been made in regional and support organizations to improve operating effectiveness and productivity. Simpsons is planning for a significant improvement in results in 1983 as consumer demand strengthens and sales improve.

On July 29, 1982 Maurice Poitras, General Manager, Quebec and Maritime Region, died following an automobile accident. He had served the Company with distinction for seventeen years. This important position has been filled by Pierre Daoust.

J. Richard Davidson, Executive Vice-President, Personnel and Administration, and a director of the Company, retired after 34 years of service.

Mrs. Ruth Goldbloom of Halifax, Nova Scotia, joined the Board in June 1982.

From Simps[illegible] [illegible] the ultimate in men's fashio[illegible]

Zellers

Consolidated sales increased by 8.5% to $1.1 billion during 1982 from $988 million in 1981. Operating profit, however, declined owing primarily to reduced gross margins caused by competitive pressures and high markdowns to reduce inventories.

Notwithstanding the weak economy in Western Canada, Fields Stores' sales and earnings showed significant improvement. Results of its subsidiary, Marshall Wells, however, were adversely affected by a slump in the oil and gas industry and a decline in construction in Western Canada. Fields and its subsidiaries contributed $105 million to consolidated sales for the year.

Zellers' sales rose 8.7% to $969 million during 1982. Most of the increase resulted from the thirteen new stores opened last year. Sales on a comparable-store basis were only slightly higher than in 1981. Despite a relatively low sales increase, Zellers continued to increase its market share in 1982.

Zellers' results were adversely affected by the costs of closing thirteen stores last year and start-up problems in the upgraded Montreal Distribution Centre.

Last year Zellers terminated the operations of Diamond & Co., an import subsidiary, and Promon Co. Ltd., a Hong Kong-based buying company. Diamond & Co. had been operating at

a loss for some years and no longer met the strategic requirements of Zellers. Promon was discontinued because its functions could be more economically carried out from Zellers' head office. Both closings increased costs last year but will improve future profitability.

The thirteen stores opened in 1982 provided a net increase of more than 400,000 sq. ft. of selling space, taking into account the stores closed last year.

Locations and sizes of the new Zellers stores are:

	Sq. Ft.
Edmonton, Alberta	72,000
Kingston, Ontario	72,000
Trois Rivières, Quebec	68,000
Thunder Bay, Ontario	67,000
Ste. Foy, Quebec	66,000
Camrose, Alberta	54,000
Halifax, Nova Scotia	54,000
Ottawa, Ontario	54,000
Toronto, Ontario	54,000
Saanich, B.C.	53,000
Montreal, Quebec	50,000
Prince Albert, Saskatchewan	42,000
Kindersley, Saskatchewan	32,000

In addition, six stores were substantially modernized and one store expanded during the year. Zellers plans to open eight new stores in 1983.

Zellers' moves to reduce inventories during 1982 were generally successful and, as a result, the company enters the new year with significantly lower inventories despite increased retail space. Zellers is well-positioned to improve its sales and earnings performance significantly during 1983.

HUDSON'S BAY WHOLESALE

Sales of Hudson's Bay Wholesale for 1982 were $485 million, an increase of 4.9% on a comparable basis after adjusting for inter-company sales. Operating profits before interest and taxes fell to $10 million from $13 million in 1981. Although the Department showed profit increases in the Maritimes, Manitoba and Saskatchewan, these were more than offset by profit declines in British Columbia, Alberta and Ontario. Both the Wholesale and Vending operations recorded lower profits.

Reduced operating margins were the principal cause of poorer results. Gross margins on cigarettes, a large component of the Department's Wholesale and Vending business, were affected by intense price-cutting competition, and declined by almost 1%, while cigarette sales showed no growth.

Although operating expenses were well controlled during the year, bad debt losses, arising from the failure of many small business customers, were heavy.

Through its chain of 42 Wholesale branches, the Department distributes to the retail and institutional trade throughout Canada a broad range of products. These include specialty foods, confectionery, cigarettes and tobacco products, sporting goods, giftware, photographic supplies and small appliances. The Department's business has grown substantially in recent years through aggressive merchandising. In addition to acquiring a new operation in Leamington, Ontario during 1982, the Wholesale Department relocated its branches in Victoria, Scarborough and Regina to new, larger premises.

The Vending Division's operations provide automatic merchandising of refreshments and entertainment products through 23,000 machines located across Canada in hotels, restaurants, airports, schools, factories, offices, transport stations, recreational centres and shopping centres. The machines are serviced from thirty branch offices.

Vending has supplemented its traditional business by offering its customers the alternative of "Customer Controlled Vending", whereby the machine is leased to the customer, who is responsible for its operation. The objective is to spread equipment and operating costs equitably between the Division and its customers.

During 1982 the Wholesale Department continued with its program to computerize branch Wholesale and Vending operations. The objectives are to provide management with information currently not available, to reduce operating costs and to improve customer service.

To enhance results further this year, the Department's merchandise thrust will be aimed at items with relatively high gross profit, while its increasingly diversified Vending operations are strengthened. Hudson's Bay Wholesale anticipates improved sales and earnings in 1983.

Customer makes a purchase at one of 23,000 vending machines operated by Hudson's Bay Wholesale

FURS

Fur sales and profits were substantially lower in 1982 than in the previous year as the result principally of depressed world-wide economic conditions. Consignment sales were off by 11.3% to $360 million and operating profits (before interest and taxes) to $4.3 million from $12.1 million in 1981.

Although the unit volume of pelts sold through the Company remained high, prices continued the downward trend that started two years ago with the result that turnover, and consequently commission income, declined appreciably.

The downward trend in prices was aggravated by further declines during the year in the purchasing power of currencies of our major customers against the Canadian and U.S. dollars.

Expenses in 1982 were higher than a year ago, with bad debt expense up substantially because of a number of business failures in the trade.

The Company purchased during the year the 41% minority interest in Hudson's Bay and Annings Limited, our London, England, operation, and, as a result, our auction houses in Canada, the United Kingdom and the United States are now all 100% owned.

In addition to selling furs on consignment for others, the Company buys furs at many of its stores in the North and at raw fur offices across Canada. These furs are marketed through the Toronto and London auction houses. In common with prevailing industry trends, collections, prices and profits arising from these activities all declined in 1982.

The demand for furs at the consumer level remains high but at lower pelt prices than a year ago. There has been some upward movement in prices of most fur varieties since their low point in the summer of 1982, but it remains to be seen whether economic conditions and currency exchange rates will permit this upward trend to continue through the balance of the current selling season.

Luxurious full skin silver fox coat from The Bay Fur Salon

Operating profits from normal real estate activities (before interest and taxes) rose 12.3% to $39.0 million in 1982 from $34.7 million in 1981. Disposals contributed an additional $8.0 million to profit in 1982 compared with $32.3 million in 1981.

These profits were earned by *Markborough Properties Limited*, a wholly-owned real estate subsidiary, and by a group of wholly- and partially-owned shopping centres and commercial buildings which have been managed by Markborough since February 1, 1983. The comments which follow apply to the combined operations.

Operating revenue declined to $119 million from $141 million, owing to reduced revenue from land sales.

In Alberta, the serviced land market virtually disappeared. Good results, however, were achieved in Texas, Arizona and Boca Raton, Florida. Revenue from housing operations increased in 1982, but gross profit margins were lower.

REAL ESTATE

Upper level at Oakville Place, one of 51 shopping centres in the Company's real estate portfolio

Income property operations improved because of lower interest rates and operating efficiencies.

Disposal gains were realized in 1982 on the sale of the Company's 50% interest in Woodside Square Shopping Centre in Scarborough, Ontario, and of its 50% interests in two commercial office towers in Toronto.

Two new shopping centres in which the Company has 50% ownership interests opened during the year:

- Cataraqui Town Centre in Kingston, Ontario, comprising 415,000 sq. ft.
- Warden Woods Mall in Toronto, Ontario, comprising 312,000 sq. ft.

Two office developments in Denver, Colorado, and Dallas, Texas, are close to completion. Planning is progressing for a major office project on the Beaver House site in London, England.

With the assumption of management of the properties owned by other companies in the Hudson's Bay group, Markborough now administers directly or indirectly, a combined shopping centre portfolio exceeding 13 million sq. ft. These operations, together with 2.4 million sq. ft. of offices, industrial buildings and other commercial properties, make it one of the largest property managers in North America.

NATURAL RESOURCES

Roxy, founded in 1980, has developed into a fully operational intermediate oil and gas company.

Profits from natural resources (before interest and taxes) rose to $60.6 million in 1982 from $16.2 million the year before. This substantial increase resulted from the substitution on January 1, 1982 of high-yield preferred shares of Dome Resources Limited for low-yield common shares of Hudson's Bay Oil and Gas Company Limited, the former holding.

In addition to Dome Resources dividends of $44.5 million, profits included $12.9 million representing one year's amortization of the difference between the $52.50 price, at which the Dome Resources shares were recorded on acquisition, and their $57.50 retraction price if held for their entire proposed three year term.

Also included for the first time are results from Roxy Petroleum Ltd.

ROXY PETROLEUM LTD.

The year was marked by the rapid development of Roxy into a fully operational intermediate oil and gas company, with its primary emphasis on exploration in Canada. Clarion Petroleums Ltd., acquired in December 1981, was successfully integrated into Roxy, which is now well placed to generate profits and additional reserves.

In 1982 Roxy reported revenues of $17.6 million, cash flow of $7.7 million, and a loss of $1.5 million (4¢ per share). There are no comparable figures for 1981 as Roxy was then considered to be in the development stage, with the result that all expenditures had been capitalized.

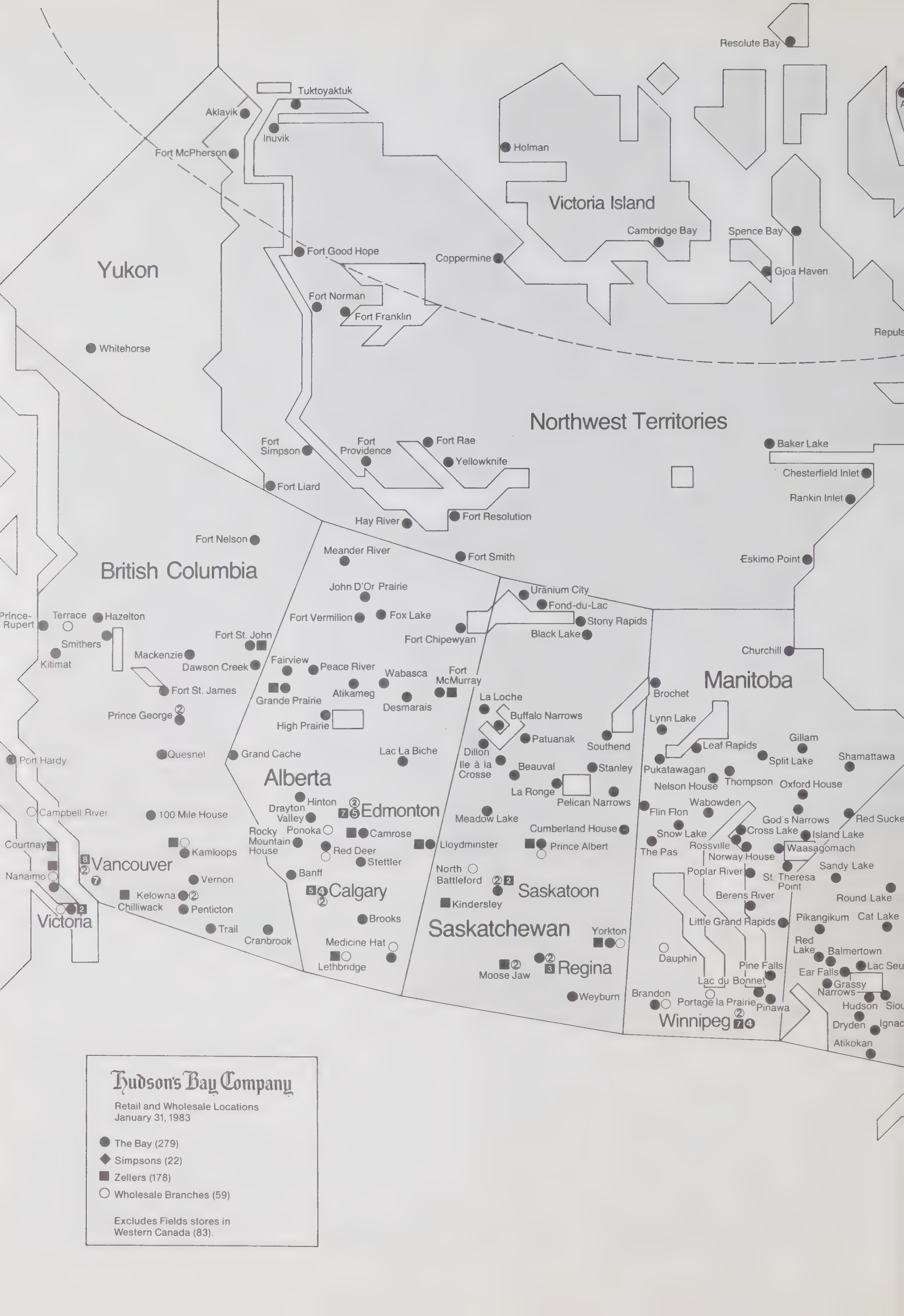
Roxy added over 700,000 barrels of crude oil to its proven reserves in 1982, a 23% increase. Total average Canadian daily production was 1,046 barrels of oil and 11.6 million cubic feet of gas, compared with 1,055 barrels of oil and 12.1 million cubic feet of gas in 1981. It is anti-

cipated that production will increase substantially in 1983 as new discoveries are brought on stream.

Exploration activities which, prior to 1982 had been mainly in Alberta, were expanded to Saskatchewan, Manitoba and the Canadian east coast offshore. In Manitoba 33 exploration and development wells were drilled, resulting in 18 oil wells. Activity in Saskatchewan concentrated on the development of 1981 discoveries. Off the east coast, Roxy participated in two wells in the Banquereau block, near Sable Island. One was a successful natural gas and condensate discovery. The second was abandoned. It is anticipated that two more wells will be drilled on this block in 1983. Off the coast of Newfoundland Roxy participated in three wells, two of which were dry holes. Drilling on the third, on a separate structure, is continuing. Results of the 1982 offshore drilling program reflect the risks and rewards associated with wildcat wells in the frontier areas. Roxy intends to continue its activity off the east coast and to seek participation in further opportunities.

During the year, both federal and provincial governments recognized the difficulties currently being experienced by the oil and gas industry. Both levels of government initiated programs to improve internal cash flow from successful efforts.

Capital expenditures in 1983 are estimated at $36 million, compared with $41.2 million in 1982. Roxy intends to spend approximately $13 million on development, $16 million on east coast exploration, and $7 million on provincial land exploration. Over the next few years Roxy will endeavour to include in its exploration programs a number of good potential reef wells which, if successful, could provide a major increase in reserves, and to develop exploration successes rapidly to build cash flow.


Hudson's Bay Company
Retail and Wholesale Locations
January 31, 1983
The Bay (279)
Simpsons (22)
Zellers (178)
Wholesale Branches (59)
Excludes Fields stores in Western Canada (83).
Yukon
Northwest Territories
Victoria Island
British Columbia
Alberta
Saskatchewan
Manitoba
Resolute Bay
Tuktoyaktuk
Aklavik
Inuvik
Fort McPherson
Holman
Cambridge Bay
Spence Bay
Gjoa Haven
Fort Good Hope
Coppermine
Fort Norman
Fort Franklin
Whitehorse
Fort Simpson
Fort Providence
Fort Rae
Yellowknife
Baker Lake
Chesterfield Inlet
Rankin Inlet
Fort Liard
Hay River
Fort Resolution
Fort Nelson
Meander River
Fort Smith
Eskimo Point
John D'Or Prairie
Uranium City
Fond-du-Lac
Stony Rapids
Black Lake
Prince-Rupert
Terrace
Hazelton
Smithers
Kitimat
Fort St. John
Fort Vermilion
Fox Lake
Fort Chipewyan
Churchill
Mackenzie
Dawson Creek
Fairview
Peace River
Wabasca
Fort McMurray
Fort St. James
Grande Prairie
Atikameg
Desmarais
La Loche
Brochet
Prince George
High Prairie
Buffalo Narrows
Lynn Lake
Patuanak
Southend
Leaf Rapids
Gillam
Port Hardy
Quesnel
Grand Cache
Lac La Biche
Dillon
Ile à la Crosse
Beauval
Stanley
Pukatawagan
Split Lake
Shamattawa
Nelson House
Thompson
Oxford House
La Ronge
Pelican Narrows
Wabowden
Hinton
Drayton Valley
Edmonton
Meadow Lake
Flin Flon
God's Narrows
Red Sucker
Campbell River
100 Mile House
Rocky Mountain House
Ponoka
Camrose
Cumberland House
Snow Lake
Cross Lake
Island Lake
Courtnay
Kamloops
Red Deer
Lloydminster
Prince Albert
The Pas
Rossville
Waasagomach
Vancouver
Stettler
Norway House
Sandy Lake
Nanaimo
Banff
North Battleford
Poplar River
St. Theresa Point
Vernon
Saskatoon
Berens River
Round Lake
Kelowna
Calgary
Kindersley
Chilliwack
Penticton
Brooks
Little Grand Rapids
Pikangikum
Cat Lake
Victoria
Trail
Cranbrook
Yorkton
Red Lake
Balmertown
Medicine Hat
Dauphin
Lac Seul
Lethbridge
Moose Jaw
Regina
Pine Falls
Ear Falls
Grassy Narrows
Lac du Bonnet
Weyburn
Brandon
Portage la Prairie
Pinawa
Hudson
Winnipeg
Dryden
Atikokan


Southern Ontario
Owen Sound
Midland
Orillia
Barrie
Hanover
Newmarket
Oshawa
Richmond Hill
Brampton
Georgetown
Toronto
Guelph
Milton
Oakville
Kitchener / Waterloo
Cambridge
Burlington
Hamilton
Grimsby
St. Catharines
Brantford
Thorold
Niagara Falls
London
Port Colborne
St. Thomas
Fort Erie
Wallaceburg
Chatham
Leamington
Pond Inlet
Clyde
Baffin Island
Broughton Island
Arctic Circle
Cape Dorset
Frobisher Bay
Lake Harbour
Coral Harbour
Sugluk
Kangiqsujuaq
(Maricourt)
Bellin
(Payne Bay)
Povungnituk
Kuujjuaq (Fort Chimo)
Rigolet
Cartwright
North West River
Newfoundland
Hudson Bay
Inukjuak
Happy Valley
St. Anthony
Schefferville
Blanc-Sablon
Rivière-St-Paul
St-Augustin
Sanikiluaq
Labrador City
La Tabatière
Chevery
Poste-de-la-Baleine
Grand Falls
Carbonear
La Romaine
Corner Brook
St. John's
Fort Severn
Havre-St-Pierre
Chisasibi (Fort George)
Québec
Gagnon
Rivière-au-Tonnerre
Maliotenam
Stephenville
Sept-Îles
Marystown
Nouveau-Comptoir
(Wemindji)
Port-Cartier
Attawapiskat
Eastmain
Trout Lake
Kashechewan
Baie-Comeau
Hauterive
Fort Albany
Mont-Joli
P.E.I.
Sydney
Betsiamites
Webequie
Moosonee
Mistassini
Rimouski
Forestville
Wunnummin Lake
Moose Factory
Fort Rupert
Chapais
Chicoutimi
New Brunswick
Amherst
Lansdowne House
Ontario
Matagami
Obedjiwan
Edmundston
Nova Scotia
La Tuque
La Pocatière
Moncton
Nakina
Hearst
Noranda
Fredericton
Truro
Smooth Rock Falls
Kentville
Geraldton
Longlac
Québec
Sussex
Halifax/Dartmouth
Hornepayne
St-Georges
St-John
Bridgewater
Schreiber
Manitouwadge
Iroquois Falls
Trois-Rivières
Thetford Mines
Manouane
Yarmouth
Marathon
Victoriaville
St-Jérôme
Wawa
Drummondville
New Liskeard
White River
St-Hyacinthe
Beloeil
North Bay
Lachute
Montréal
Sudbury
Ottawa / Hull
Sherbrooke
Russell
Cornwall
Magog
Elliot Lake
St-Jean
Smiths Falls
Sault Ste. Marie
Brockville
Lindsay
Trenton
Cobourg
Inset

Directors and Officers

HUDSON'S BAY COMPANY

Board

Ian A. Barclay
Vancouver
Chairman of the Board
British Columbia Forest Products Limited

Marcel Bélanger◆
Quebec
President, Gagnon et Bélanger Inc.

C. W. (Wally) Evans
Toronto
President, The Bay

Gurth C. Hoyer Millar
London, England
Director, J. Sainsbury Ltd

G. Richard Hunter◆
Winnipeg
Partner, Pitblado & Hoskin

Martin W. Jacomb★
London, England
Vice-Chairman, Kleinwort, Benson Limited

Josette D. Leman
Montreal
Travel Consultant, McGregor Travel Co. Ltd.

Alexander J. MacIntosh★
Toronto
Partner, Blake, Cassels & Graydon

W. Donald C. Mackenzie◆
Calgary
President, W.D.C. Mackenzie Consultants Ltd.

Donald S. McGiverin★◆
Toronto
Governor and President
Hudson's Bay Company

Dawn R. McKeag
Winnipeg
President, Walford Investments Ltd.

John H. Moore★
London, Ontario
Chairman, Executive Committee
of the Board of Directors
London Life Insurance Company

George T. Richardson★◆
Winnipeg
President, James Richardson & Sons, Limited

Kenneth R. Thomson
Toronto
Chairman of the Board and President
Thomson Newspapers Limited

John A. Tory★
Toronto
President, The Thomson Corporation Limited

The Rt. Hon. Lord Trend
Oxford, England
Rector, Lincoln College

Donald O. Wood
Toronto
Vice-President, Finance
Hudson's Bay Company

Peter W. Wood★
Toronto
Executive Vice-President
Hudson's Bay Company

★ Member of Executive Committee
◆ Member of Audit Committee

Officers and Senior Management

Donald S. McGiverin
Governor and President

Alexander J. MacIntosh
Deputy Governor

Peter W. Wood
Executive Vice-President

William H. Evans
Vice-President, Inter-Corporate Services

Brian C. Grose
Vice-President and Controller

A. Rolph Huband
Vice-President and Secretary

John G.W. McIntyre
Vice-President, Real Estate and Development

Chris E. Stait-Gardner
Vice-President, Information Services

Donald O. Wood
Vice-President, Finance

Peter F.S. Nobbs
Treasurer

Christopher J. Desjardins
Assistant Secretary

John M. Cunningham
General Manager, Distribution

Robert N.D. Hogan
General Manager, Credit

Peter W. Schmidt
Corporate General Manager, Food Services

Stanley J. Shortt
General Manager, Corporate Merchandise Services

FUR

Officers and Senior Management

Louis J. Henry
Vice-President, Furs, Hudson's Bay Company

Dwane B. Byers
Manager, International Fur Sales Centre
Toronto, Hudson's Bay Company

Gerald R. Thompson
President, Hudson's Bay Company
Fur Sales Incorporated

Hugh M. Dwan
Managing Director
Hudson's Bay and Annings Limited

OTHER

John B. Styles
President
HBC Travel Limited

William F. Thompson
Executive Vice-President
Hudson's Bay Distillers Limited

THE BAY

Board

Ian A. Barclay
Chairman of the Board
British Columbia Forest Products Limited

Marcel Bélanger
President, Gagnon et Bélanger Inc.

J. Evan Church
Vice-President, Merchandising, The Bay

C. W. (Wally) Evans
President, The Bay

Al A. Guglielmin
Vice-President, Department Stores, The Bay

Donald S. McGiverin
Governor and President
Hudson's Bay Company

Dawn R. McKeag
President, Walford Investments Ltd.

Marvin E. Tiller
Vice-President, National Stores Department
The Bay

John A. Tory
President
The Thomson Corporation Limited

Donald O. Wood
Vice-President, Finance
Hudson's Bay Company

Officers and Senior Management

C. W. (Wally) Evans
President

Al A. Guglielmin
Vice-President, Department Stores

Marvin E. Tiller
Vice-President, National Stores Department

J. Lorne Klapp
Vice-President, Wholesale Department

J. Evan Church
Vice-President, Merchandising

John A. English
Vice-President, Personnel

Douglas W. Mahaffy
Vice-President, Finance and Control

Arthur A. Adamic
General Manager, Western Region

Hal L. Spelliscy
General Manager, Alberta Region

Allan W. Brent
General Manager, Central Region

Robert P. Boutin
General Manager, Quebec Region

George J. Kosich
General Manager, Toronto Region

Gary W. McLeod
General Manager, Ottawa Region

John L. Prenevost
General Manager, National Stores

Clarence A. Mann
General Manager, Northern Stores

Shirley A. Dawe
Senior Group Merchandise Manager

E.B. (Ted) Johnston
Senior Group Merchandise Manager

Paul H. Harrison
Director of Merchandise Investment

D. Keith McConnell
Director of Operations Services

Roger Smith
Director of Food Services

SIMPSONS

Board

Thomas J. Bell
Chairman of the Board, Abitibi Price Inc

Pierre Laurin
Vice President and Director
Corporate Planning
Aluminum Company of Canada, Ltd

Alexander J. MacIntosh
Partner, Blake, Cassels & Graydon

Charles A.M. MacRae
President
Simpsons Limited

Donald S. McGiverin
Governor and President
Hudson's Bay Company

J. Michael G. Scott
Vice-Chairman
Wood Gundy Limited

Ruth M. Goldbloom
Company Director

Kenneth R. Thomson
Chairman of the Board and President
Thomson Newspapers Limited

Peter W. Wood
Executive Vice-President
Hudson's Bay Company

Officers and Senior Management

Donald S. McGiverin
Chairman of the Board

Charles A.M. MacRae
President

Ernest C. Bengert
Vice-President, Personnel and Operations

G. Archie L. Keown
Vice-President and Controller

Lou Marzolini
Vice President, Ontario Region

Sol D. Nayman
Vice President, Merchandising

Pierre Daoust
General Manager, Quebec and Maritime Region

Christopher J. Desjardins
Secretary

ZELLERS

Board

James G. Balfour
Chairman of the Board, Zellers Inc

Donald N. Byers
Partner, Byers, Casgrain

R. Ross Craig
Executive Vice-President, Commercial
Dofasco Inc

Graham R. Dawson
President, G. R. Dawson Holdings

Thomas S. Dobson
Chairman, Easton United Securities Limited

C. Frederick Graves
President, Fields Stores Limited

Josette D. Leman
Travel Consultant, McGregor Travel Co. Ltd

Keith H. MacDonald
Company Director

Donald S. McGiverin
Governor and President
Hudson's Bay Company

J. Robert Ouimet
President, J. René Ouimet Enterprises Ltd

T. Iain Ronald
President, Zellers Inc

Peter W. Wood
Executive Vice President
Hudson's Bay Company

Officers

James G. Balfour
Chairman of the Board

T. Iain Ronald
President

Murray M. Bozniak
Vice-President, Merchandise

William H. Buggs
Vice-President, Real Estate
Store Expansion & Food Service

Bruce H. Gilbert
Vice-President, Human Resources

Hans E. Busse
Vice-President, Store Management

Marc-André Filion
Vice-President, Secretary & General Counsel

Michael A. Montagano
Vice President, Finance

Eric S. Paul
Vice President, Merchandise Distribution
Planning & Control

MARKBOROUGH PROPERTIES

Board

Peter A. Anker
President, Markborough Properties Limited

Tullio Cedraschi
President, CN Investment Division
Canadian National Railways

Gordon C. Gray
Chairman, A.E. LePage Limited

H. Peter Langer
Chairman of the Board
Markborough Properties Limited

Alexander J. MacIntosh
Partner, Blake, Cassels & Graydon

Donald S. McGiverin
Governor and President
Hudson's Bay Company

John G.W. McIntyre
Vice-President, Real Estate and Development
Hudson's Bay Company

Donald F. Prowse
Executive Vice-President
Markborough Properties Limited

William W. Siebens
President, Candor Investments Ltd

Peter W. Wood
Executive Vice-President
Hudson's Bay Company

Officers

H. Peter Langer
Chairman of the Board

Donald S. McGiverin
Deputy Chairman of the Board

Peter A. Anker
President

Donald F. Prowse
Executive Vice President

Kenneth E. Nixon
Regional Vice-President

John B. Alguire
Senior Vice President

George H. Mundy
Senior Vice President

James C. Shapland
Senior Vice-President and Secretary

John A. Brough
Vice-President and Treasurer

Walter R. Ciastko, Jack A. Hasen
and F. Peter Langer
Vice Presidents

William B. Bryck
Controller

Patricia I. Thomas
Assistant Secretary

ROXY PETROLEUM

Board

V. Edward Daughney
President, Roxy Petroleum Ltd

Thomas S. Dobson
Chairman, Easton United Securities Limited

Robert G. Elliott
Chairman of the Board, Highfield Corporation Ltd

W. Donald C. Mackenzie
President, W.D.C. Mackenzie Consultants Ltd

Donald S. McGiverin
Governor and President
Hudson's Bay Company

James S. Palmer
Partner, Burnet, Duckworth & Palmer

Robert G. Peters
President, Peters & Co. Limited

George A. Pinsky
Executive Vice-President, Exploration
Roxy Petroleum Ltd

T. Iain Ronald
President, Zellers Inc

William W. Siebens
President, Candor Investments Ltd

Peter W. Wood
Executive Vice-President
Hudson's Bay Company

Officers

V. Edward Daughney
President

George A. Pinsky
Executive Vice President, Exploration

Verne G. Johnson
Vice-President, Operations

G. Barry Padley
Vice President, Finance and Secretary

Ernest C. Gent
Chairman of the Board, Roxy Resources Inc

Christopher A. Bradley
Controller

Glen R. Carley
Assistant Secretary and General Counsel

Corporate Information

CORPORATE DATA

Registered Office
Hudson's Bay House, 77 Main Street
Winnipeg, Manitoba R3C 2R1

Corporate Office
2 Bloor Street East
Toronto, Ontario M4W 3H7

Principal Bankers
The Royal Bank of Canada
The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce
Bank of Montreal

Registrars and Transfer Agents
The Royal Trust Company, Calgary, Montreal, Toronto, Vancouver and Winnipeg
Williams & Glyn's Registrars Limited, London

Stock Exchange Listings
Ordinary shares – London, Montreal, Toronto and Winnipeg
Preferred shares Series A – Montreal, Toronto and Winnipeg
Preferred shares Series F – Montreal and Toronto

Auditors
Peat, Marwick, Mitchell & Co.

PRINCIPAL INVESTMENTS

Eaton Bay Financial Services Limited
Markets financial services
597,353 common shares (39%)

Simpsons-Sears Limited
Operates department stores and catalogue offices throughout Canada
31,095,925 common shares (35.6%)

RETAIL SPACE at January 31, 1983

The Bay	14,183,000 sq. ft.
Zellers (including Fields)	11,575,000 sq. ft.
Simpsons	4,720,000 sq. ft.

PRINCIPAL SUBSIDIARY COMPANIES
(wholly-owned unless otherwise indicated)

Hudson's Bay and Annings Limited
Fur brokers

Hudson's Bay Company Acceptance Limited
Purchases accounts receivable

Hudson's Bay Company Developments Limited
- **Hudson's Bay Company Properties Limited**

Property owning companies

Hudson's Bay Company Fur Sales Incorporated
Fur brokers

Markborough Properties Limited
Property development company

Roxy Petroleum Ltd. (51%)
Petroleum company

Simpsons Limited
Operates department stores
- **Simpsons Acceptance Company Limited**
  Purchases accounts receivable

Zellers Inc.
Operates department stores
- **Fields Stores Limited**
  Operates family clothing stores
- **Marshall Wells Limited**
  Distributes hardware

REAL ESTATE HOLDINGS at January 31, 1983

	Net Interest
51 shopping centres	7,038,000 sq. ft.
10 office buildings	1,462,000 sq. ft.
21 industrial buildings	738,000 sq. ft.
1 hotel	192 rooms
3 apartment buildings	583 suites
and land for future development	

Hudson's Bay Company
Consolidated Statement of Earnings

Year Ended January 31, 1983

	This Year	Last Year
	in thousands of dollars	
Sales and revenue (Note 2)		
Merchandising:		
Retail	**3,427,378**	3,443,040
Wholesale	**485,153**	497,058
Fur	**38,311**	42,604
	3,950,842	3,982,702
Real estate	**126,945**	173,003
Natural resources	**60,884**	16,737
	4,138,671	4,172,442
Source of earnings (Note 2)		
Merchandising:		
Retail	**7,696**	81,858
Wholesale	**10,016**	13,060
Fur	**4,342**	12,058
	22,054	106,976
Real estate	**47,012**	67,035
Natural resources	**60,584**	16,248
Operating profit	**129,650**	190,259
Interest on long-term debt	**(142,203)**	(135,526)
Net short-term interest	**(119,104)**	(108,781)
Earnings (loss) before income taxes, minority interest and extraordinary items	**(131,657)**	(54,048)
Income taxes (Note 4)	**8,677**	57,208
Earnings (loss) before minority interest and extraordinary items	**(122,980)**	3,160
Minority interest	**800**	573
Earnings (loss) before extraordinary items	**(122,180)**	3,733
Extraordinary items (Note 5)	**(5,420)**	382,435
Net earnings (loss)	**(127,600)**	386,168
Earnings (loss) per ordinary share		
Earnings (loss) before extraordinary items	**($5.63)**	($.34)
Net earnings (loss)	**($5.86)**	$15.78

Consolidated Statement of Retained Earnings

Year Ended January 31, 1983

	This Year	Last Year
	in thousands of dollars	
Retained earnings at beginning of year	**797,756**	458,447
Net earnings (loss)	**(127,600)**	386,168
Dividends paid		
Preferred shares	**(11,437)**	(11,746)
Ordinary shares	**(17,815)**	(28,510)
Cancellation of ordinary shares (Note 10)	**(552)**	(6,603)
Retained earnings at end of year	**640,352**	797,756

Hudson's Bay Company
Consolidated Balance Sheet

January 31, 1983

	This Year	Last Year
	in thousands of dollars	
Current assets		
Cash	**13,239**	14,562
Short-term securities (Note 7(c)(ii))	**73,142**	11,487
Investment in Dome Resources Limited (Note 7(c)(i))	**420,132**	–
Accounts receivable	**760,232**	752,968
Income taxes recoverable	**18,089**	28,871
Merchandise inventories	**703,089**	746,053
Prepaid expenses	**25,281**	26,398
	2,013,204	1,580,339
Secured receivables (Note 6)	**57,767**	58,146
Property for sale and future development	**303,413**	239,318
Investments (Note 7)	**523,457**	973,481
Fixed assets		
Land	**133,646**	142,526
Buildings	**567,350**	571,030
Equipment and leasehold improvements	**537,910**	470,298
	1,238,906	1,183,854
Less accumulated depreciation	**322,016**	274,709
	916,890	909,145
Deferred charges	**28,497**	24,511
Goodwill	**109,565**	110,245
	3,952,793	3,895,185

	This Year	Last Year
		in thousands of dollars
Current liabilities		
Bank indebtedness	**739,617**	497,834
Notes payable	**238,021**	319,066
Accounts payable and accrued expenses	**400,411**	393,716
Long-term debt due within one year	**76,485**	70,466
	1,454,534	1,281,082
Long-term debt (Note 8)	**1,325,093**	1,258,027
Pensions (Note 9)	**25,276**	28,195
Deferred income taxes	**30,559**	51,326
Minority interest in subsidiaries	**68,296**	69,270
Shareholders' equity		
Capital stock (Note 10):		
$1.80 cumulative redeemable preferred shares series A	**119,530**	124,758
Variable rate, cumulative redeemable preferred shares series C	**20,000**	20,000
$1.512 convertible redeemable preferred shares series D	**1,920**	2,022
Ordinary shares	**259,439**	257,240
	400,889	404,020
Additional paid-in capital (Note 11)	**7,794**	5,509
Retained earnings	**640,352**	797,756
	1,049,035	1,207,285
	3,952,793	3,895,185

Hudson's Bay Company
Consolidated Statement of Assets Employed

January 31, 1983

	This Year	Last Year
	in thousands of dollars	
Merchandising		
Accounts receivable	**702,852**	698,888
Inventories	**703,089**	746,053
Accounts payable	**(379,397)**	(375,943)
Other current assets	**48,322**	56,840
Working capital (see below)	**1,074,866**	1,125,838
Investments	**278,742**	275,044
Fixed assets	**669,743**	638,523
Goodwill	**78,389**	78,702
Other assets	**42,843**	42,099
Pensions	**(25,276)**	(28,195)
Deferred income taxes	**98,524**	78,626
	2,217,831	2,210,637
Real estate		
Working capital (see below)	**41,132**	43,215
Secured receivables	**37,849**	37,049
Property for sale and future development	**303,413**	239,318
Fixed assets and investments:		
Shopping centres	**167,799**	195,984
Commercial	**93,084**	82,904
Residential	**62,540**	55,774
Goodwill	**31,176**	31,429
Other assets	**5,572**	3,509
Deferred income taxes	**(68,714)**	(68,485)
	673,851	620,697
Natural resources		
Dome Resources Limited	**420,132**	–
Other net assets	**3,521**	6,083
Working capital (see below)	**423,653**	6,083
Dome Resources Limited	**–**	407,233
Dome Petroleum Limited	**–**	61,658
Investments and fixed assets	**168,439**	165,620
Deferred income taxes	**(60,369)**	(61,467)
	531,723	579,127
Assets employed	**3,423,405**	3,410,461
Provided from		
Long-term debt	**1,325,093**	1,258,027
Net short-term debt (see below)	**980,981**	875,879
	2,306,074	2,133,906
Minority interest in subsidiaries	**68,296**	69,270
Shareholders' equity:		
Preferred shares	**141,450**	146,780
Ordinary shares	**259,439**	257,240
Additional paid-in capital	**7,794**	5,509
Retained earnings	**640,352**	797,756
	1,049,035	1,207,285
	3,423,405	3,410,461

Working capital is shown before deduction of net short-term debt, which comprises bank indebtedness, short-term notes payable and long-term debt due within one year, less short-term securities.

Hudson's Bay Company
Consolidated Statement of Changes in Financial Position

Year Ended January 31, 1983

	This Year	Last Year
	in thousands of dollars	
Source of funds		
Earnings (loss) before minority interest and extraordinary items	**(122,980)**	3,160
Items not affecting net short-term debt:		
Equity in undistributed earnings of affiliates and joint ventures	**(15,950)**	(3,825)
Depreciation and amortization	**55,027**	56,949
Deferred income taxes	**(20,767)**	(5,240)
Provided from (used in) operations	**(104,670)**	51,044
Issue of long-term debt	**169,540**	319,580
Disposition of investments	**18,740**	479,839
Disposition of fixed assets	**25,492**	3,713
Reclassification of investment in Dome Petroleum Limited to short-term securities	**61,658**	
Decrease in merchandise inventories	**42,964**	–
Issue of preferred shares	**–**	2,109
Issue of ordinary shares	**2,865**	12,962
Issue of shares by subsidiaries	**3,403**	44,871
Other – net	**25,869**	–
	245,861	914,118
Use of funds		
Capital expenditures:		
Merchandising	**115,978**	129,758
Real estate	**4,126**	16,407
Natural resources	**231**	1,435
Closure of Shop-Rite operations	**5,420**	10,175
Property for sale and future development	**41,616**	12,792
Investments:		
Dome Resources Limited	**–**	406,158
Natural resource joint ventures	**10,485**	17,529
Other	**18,157**	8,826
Reduction of long-term debt	**102,474**	229,678
Dividends paid:		
Preferred shareholders	**11,437**	11,746
Ordinary shareholders	**17,815**	28,510
Purchase of shares for cancellation:		
Preferred shares	**3,036**	2,815
Ordinary shares	**1,226**	12,095
Deferred charges	**8,928**	7,664
Acquisition of shares of subsidiaries:		
Zellers Inc.	**–**	102,465
Clarion Petroleums Ltd.	**–**	42,532
Other	**2,770**	5,203
Increase in secured receivables	**–**	31,219
Increase in accounts receivable	**7,264**	66,652
Increase in income taxes recoverable	**–**	26,534
Increase in merchandise inventories	**–**	48,942
Other – net	**–**	22,726
	350,963	1,241,861
Increase in net short-term debt	**105,102**	327,743
Net short-term debt at beginning of year	**875,879**	548,136
Net short-term debt at end of year	**980,981**	875,879

Net short-term debt comprises bank indebtedness, short-term notes payable and long-term debt due within one year, less short-term securities

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee. The significant policies are summarized below:

a) Consolidation

These consolidated financial statements include the accounts of Hudson's Bay Company and of all its subsidiary companies.

b) Foreign currency translation

Assets and liabilities denominated in foreign currencies and the accounts of subsidiaries operating in the United Kingdom and in the United States are translated into Canadian dollars at approximately the exchange rates prevailing at the balance sheet dates.

c) Leases

All leases, including those relating to store premises, have been classified as operating leases in these consolidated financial statements (under which rentals are included in determining earnings of the period in which they accrue).

d) Store pre-opening expenses

Costs associated with the opening of new stores are charged against earnings in the year in which the stores open for business.

e) Earnings (loss) per ordinary share

Earnings (loss) per ordinary share reflect the payment of preferred dividends and are based on the weighted average number of ordinary shares outstanding during the year.

f) Accounts receivable

In accordance with recognized retail industry practice, accounts receivable classified as current assets include customer instalment accounts of which a portion will not become due within one year.

g) Merchandise inventories

Merchandise inventories are valued at the lower of cost and net realizable value less normal profit margins. The cost of retail inventories is determined principally on an average basis by the use of the retail inventory method and the cost of other inventories is determined on a first-in, first-out basis.

h) Capitalization of interest and taxes

Interest and real estate taxes are capitalized to the extent that they relate to properties which either are held for sale or development or are under construction. The amount so capitalized during the year includes interest of $28,729,000 (last year $35,859,000).

i) Property for sale and future development

Property for sale and future development is carried at the lower of cost and net realizable value.

j) Investments

The Company follows the equity method in accounting for its investments in joint ventures and in companies in which the Company's ownership interest exceeds 20% and the Company is able to elect a significant proportion of the board of directors of the investee company. Under the equity method, investments are recorded at cost plus the Company's equity in undistributed earnings since acquisition.

Roxy Petroleum Ltd., a subsidiary of the Company, applies the full cost method of accounting for its investments in oil and gas property joint ventures whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Separate cost centres have been established for continental North America and offshore East Coast Canada. Costs incurred in these cost centres are depleted separately on the unit-of-production method based on estimated proven oil and gas reserves.

Investments in other companies are carried at cost (amortized cost in the case of the investment in Dome Resources Limited) with dividends being reflected in earnings when received with respect to common shares and non-cumulative preferred shares and as accrued in the case of cumulative preferred shares.

k) Fixed assets

Fixed assets are carried at cost.

Buildings (other than income properties), equipment and leasehold improvements are depreciated on the straight-line method at rates which will fully depreciate the assets over their estimated useful lives. The depreciation rates applicable to the various classes of assets are as follows:

Buildings	2 – 5%
Equipment	7 – 20%
Leasehold improvements	3 – 10%

Buildings held for the purpose of producing rental income (income properties) are depreciated on a 3% 40-year sinking fund method. Under this method the depreciation charged against earnings is an amount which increases annually and comprises a predetermined fixed sum and 3% compound interest, which together will fully depreciate each building over its estimated useful life.

l) Deferred charges

Deferred charges principally comprise debt discount and expense which is amortized on the straight-line method over the terms of the issues to which it relates. The amortization is included with interest on long-term debt in the Consolidated Statement of Earnings.

m) Goodwill

Goodwill comprises the unamortized balance of the excess of the cost to the Company over the fair value of its interest in the identifiable net assets of subsidiaries, principally Markborough Properties Limited and Zellers Inc., at their respective dates of acquisition.

The goodwill which relates to acquisitions subsequent to 1973, $87,348,000 (last year $88,028,000) after deducting accumulated amortization of $6,745,000 (last year $4,388,000), is being amortized on the straight-line method over 40 year periods.

n) Pension costs

Current pension costs, substantially all of which arise under trusteed pension plans, are charged to operations. The costs of plan improvements are charged to operations over appropriate periods as they are funded.

o) Funds

This year the Consolidated Statement of Changes in Financial Position has been prepared on a basis which presents the change in net short-term debt. Net short-term debt comprises bank indebtedness, short-term notes payable and long-term debt due within one year, less short-term securities. Last year's figures have been restated to conform with this presentation.

2. SUPPLEMENTARY SEGMENTED INFORMATION

The Company is engaged in merchandising through retail stores, including investments in other companies, through wholesale distribution of tobacco and other products and through fur auction operations. The retail stores include full-line and promotional department stores, stores located in smaller communities and, until the closing of the Shop-Rite operation on January 30, 1982, catalogue stores. The Company has interests in the real estate industry through Markborough Properties Limited and through joint ventures and income properties. The Company also has interests in natural resources through its subsidiary, Roxy Petroleum Ltd., and through other investments.

Reported industry segments are merchandising, real estate and natural resources with merchandising further divided, where significant, into retail, wholesale and fur. Information pertaining to these segments is included in these consolidated financial statements and is supplemented by the following additional information.

Sales and revenue include the Company's equity in the pre-tax earnings of companies and joint ventures accounted for under the equity method, as follows:

	This Year	Last Year
	$ 000's	$ 000's
Pre-tax equity earnings (loss):		
Merchandising – retail	**9,774**	14,715
Real estate	**22,981**	10,855
Natural resources	**(1,346)**	–
	31,409	25,570
Income taxes thereon	**(15,133)**	(12,247)
Equity earnings	**16,276**	13,323

Other supplementary segmented information related to the Consolidated Statement of Earnings is as follows:

	This Year	Last Year
	$ 000's	$ 000's
Dividends received in respect of investments carried at cost (included in revenue and earnings from natural resources)	**45,958**	15,662
Depreciation and amortization:		
Deducted in arriving at operating profit:		
Merchandising	**60,908**	51,632
Real estate	**5,066**	4,500
Natural resources	**273**	35
	66,247	56,167
Included in natural resource earnings (see note 7(c)(i))	**(12,899)**	(1,075)
Included in interest expense (amortization of debt discount and expense)	**1,679**	1,857
	55,027	56,949

Investments in joint ventures and other companies accounted for by the equity method which are included by segment in the Consolidated Statement of Assets Employed are as follows:

	This Year	Last Year
	$ 000's	$ 000's
Merchandising	**274,568**	270,709
Real estate	**77,561**	65,488
Natural resources	**159,805**	150,858
	511,934	487,055

Merchandising assets employed predominantly relate to retail operations.

The Company has operations outside Canada, including fur operations in the United Kingdom and fur, real estate and natural resource operations in the United States. These operations generate less than 10% of the Company's revenue and employ less than 10% of its assets.

3. ACQUISITIONS

a) Zellers Inc. ("Zellers") (formerly Zeller's Limited)

In 1978 the Company acquired approximately 57% of the outstanding common shares of Zellers held by persons other than subsidiaries of Zellers. In January 1981 the Company acquired 371,300 common shares of Zellers through cash purchases in the open market at a cost of $6,535,000 and on February 5, 1981 the Company similarly acquired a further 283,700 common shares at an aggregate cost of $5,035,000.

On February 24, 1981 the Company announced its offer to purchase the remaining common shares of Zellers on the basis of $18 cash or, at the option of Zellers shareholders, either one convertible redeemable preferred share series D or 100 redeemable preferred shares series E for each Zellers common share. Pursuant to this offer, the Company acquired 5,232,940 common shares for which the total consideration, including costs of acquisition, was $97,430,000, comprising 117,172 series D preferred shares and total cash payments, including the redemption cost of 441,301,800 series E preferred shares redeemed immediately, of $93,776,000. As a result of these acquisitions Zellers became a wholly-owned subsidiary of the Company.

The total cost of acquisitions during the year ended January 31, 1982 was allocated as follows:

	$ 000's
Goodwill	49,137
Reduction in minority interest	52,319
Other	1,009
Cost, being the fair value of consideration paid	102,465

b) Roxy Petroleum Ltd. ("Roxy")

In 1980 the Company acquired approximately 34% of the outstanding common shares of Roxy, a then recently incorporated company engaged in oil and gas exploration. During the year ended January 31, 1982 the Company invested additional funds in Roxy which increased the Company's interest to approximately 51%. The assets, liabilities and operating results of Roxy have been consolidated with effect from February 19, 1981, prior to which the investment in Roxy was accounted for by the equity method.

Effective December 1, 1981 Roxy acquired all the outstanding shares of Clarion Petroleums Ltd. ("Clarion") through an exchange of shares. In connection with this transaction, the Company invested $51,500,000 in cash to acquire 10,300,000 voting shares of Roxy, thereby maintaining its interest in Roxy at approximately 51%. The Clarion transaction was accounted for by the purchase method and the cost of the acquisition of Clarion was allocated as follows:

	$ 000's
Investment in joint ventures	108,351
Working capital deficiency	(1,708)
Other assets – net	1,077
Long-term debt	(65,188)
Cost, being the fair value of consideration paid	42,532

On January 31, 1983 the Company held common shares which, in aggregate, represented approximately 51% of the outstanding voting shares of Roxy and warrants to purchase 5,150,000 additional common shares at $6.50 each before December 15, 1983.

4. INCOME TAXES

Effective February 1, 1982 the Company discontinued taking credit for the potential future income tax recovery resulting from the carry forward to future years of certain current income tax losses. As at January 31, 1983, losses for which credit had not been taken amounted to approximately $195,000,000 which may be carried forward in order to reduce otherwise taxable income until 1988.

The Company has taken credit for the potential future income tax recovery expected to result from the application of certain losses against income anticipated to be earned in the future and otherwise subject to income tax. Most of this potential recovery was recorded in prior years. This potential recovery is in respect of losses aggregating approximately $127,000,000, of which $10,000,000 may be carried forward until 1986 and $53,000,000 until 1987; the remainder of $64,000,000 represents expenses (principally depreciation) recorded in the financial statements, but not yet claimed for income tax purposes.

The two principal items which contributed to the seemingly high income tax recovery in relation to the loss before income taxes for the year ended January 31, 1982 were non taxable income, primarily dividend income, and the inventory allowance under the Income Tax Act.

5. EXTRAORDINARY ITEMS

Extraordinary items are as follows:

	This Year	Last Year
	$ 000's	$ 000's
Costs and expenses relating to the closure of Shop-Rite operations	**(5,420)**	(10,175)
Gain on disposition of investment:		
In exchange for debentures of the Company	**–**	50,427
In exchange for investments in other companies	**–**	400,487
Less income taxes thereon	**–**	(58,304)
	–	392,610
	(5,420)	382,435

a) Closure of Shop-Rite catalogue store operations

The Company closed Shop-Rite, its catalogue store division, on January 30, 1982. Net costs and expenses which relate to the closing have been classified as extraordinary. These include the losses on disposition or write-off of assets, termination payments to staff, the cost of ongoing obligations and the write-off of deferred charges. At the time of closing the division the Company set up $10,175,000 as an estimate of these costs and expenses net of income tax recovery of $10,616,000.

As of January 31, 1983 the Company has determined that ongoing obligations and costs related to the termination of leases are proving to be appreciably in excess of amounts previously provided and a further sum of $5,420,000 has been charged as an extraordinary item for the year ended January 31, 1983. The Company has not recognized the potential future tax benefit arising from these additional costs and expenses (see note 4).

b) Gain on disposition of investment

The gain results from the disposition during the year ended January 31, 1982 of the Company's investment in common shares of Hudson's Bay Oil and Gas Company Limited ("HBOG"), firstly on the exchange by debentureholders of their 6% exchangeable subordinated debentures for 4,499,567 HBOG shares, and secondly on the exchange of the remaining 7,736,337 HBOG shares for shares of Dome Resources Limited and common share purchase warrants of Dome Petroleum Limited (see note 7(c)).

6. SECURED RECEIVABLES

Secured receivables include mortgages which arise principally from land transactions and loans outstanding under the employee share purchase plan.

	This Year	Last Year
	$ 000's	$ 000's
Total secured receivables	**83,624**	80,556
Less amounts due within one year classified as accounts receivable	**25,857**	22,410
	57,767	58,146
Average rate of interest	**9.8%**	11.6%

Maturities during the five years ending January 31, 1988 are as follows:
1984 – $25,857; 1985 – $16,503; 1986 – $10,647;
1987 – $ 5,063; 1988 – $ 3,397.
Under certain conditions, the amounts due may be paid prior to maturity.

7. INVESTMENTS

Investments comprise the following:

	This Year	Last Year
	$ 000's	$ 000's
Simpsons-Sears Limited	**252,369**	249,502
Real estate joint ventures	**77,561**	65,488
Dome Resources Limited	**420,132**	407,233
Dome Petroleum Limited	**–**	61,658
Natural resource joint ventures	**159,805**	150,858
Other	**33,722**	38,742
	943,589	973,481
Less investment in Dome Resources Limited included in current assets this year (see note 7(c)(i))	**420,132**	–
	523,457	973,481

a) Simpsons-Sears Limited ("Sears")

The investment in Sears is carried at cost plus the Company's equity in undistributed earnings since acquisition in 1979 and represents 88.4% of the total class B shares, 44.2% of the total voting shares and 35.6% of all outstanding shares of Sears. This investment consists of 31,095,925 shares of which 13,500,000 were placed in escrow on February 10, 1983 with The Royal Trust Company pursuant to the provisions of the Company's $2.25 cumulative redeemable exchangeable preferred shares series F which were issued on that date (see note 10).

	This Year		Last Year	
	Per Share		Per Share	
	$	**$ 000's**	$	$ 000's
Investment				
At carrying value	**8.12**	**252,369**	8.02	249,502
At underlying Sears book value	**6.70**	**208,093**	6.58	204,720
At quoted market value, The Toronto Stock Exchange	**7.25**	**225,445**	5.50	171,028

b) Real estate joint ventures

The investment in real estate joint ventures, consisting of shopping centre, commercial, industrial and residential interests, is carried at cost plus the Company's equity in undistributed earnings since acquisition. The Company's share of real estate joint ventures is summarized as follows:

	This Year	Last Year
	$ 000's	$ 000's
Assets		
Accounts receivable	**53,601**	36,522
Property for sale and future development	**94,130**	100,379
Fixed assets, net	**281,278**	223,612
	429,009	360,513
Liabilities		
Bank indebtedness	**43,984**	55,431
Accounts payable and accrued expenses	**70,071**	40,265
Long-term debt	**237,393**	199,329
	351,448	295,025
Investment in real estate joint ventures	**77,561**	65,488
Revenue	**88,990**	60,853
Expenses		
Interest	**26,868**	21,905
Depreciation	**3,276**	3,005
Other	**35,865**	25,088
	66,009	49,998
Pre-tax earnings of real estate joint ventures	**22,981**	10,855

c) Dome Resources Limited ("Resources"), Dome Petroleum Limited ("Dome") and Hudson's Bay Oil and Gas Company Limited ("HBOG")

The Company has disposed of its remaining investment in HBOG in exchange for preferred shares in Resources and common share purchase warrants of Dome. This transaction took place in accordance with an Arrangement Agreement among Resources, Dome, HBOG, the Company and others dated as of December 10, 1981 and a Plan of Arrangement under the Canada Business Corporations Act concerning HBOG and its shareholders which was approved by HBOG shareholders on January 13, 1982, and confirmed by the Court on January 15, 1982. The transaction closed on March 10, 1982. This exchange was accounted for as if it had been completed as of the close of business on December 31, 1981, at which time the Company became entitled to receive the final dividend paid on the HBOG common shares. On January 1, 1982, pursuant to the Arrangement Agreement and the Resources preferred shares, dividends commenced to accrue on such shares.

(i) Resources

The investment in Resources consists of 7,736,337 $5.75 class A retractable preferred shares of Resources acquired under the Plan of Arrangement described above in exchange for an equal number of HBOG common shares. These shares carry cumulative preferential annual cash dividends of $5.75 per share payable quarterly with dividends accruing from January 1, 1982, and were scheduled to be retracted at $57.50 per share on December 31, 1984. These shares were recorded on acquisition at their approximate fair value of $52.50 per share with the difference of $5.00 per share being amortized to income over the three year period to December 31, 1984. On January 31, 1983 Resources issued notice of redemption to take place on March 25, 1983 of all of its $5.75 class A shares at the price of $58.807534 each, being $57.50 and an amount equal to accrued dividends. Consequently the Company reclassified this investment as a current asset.

Pursuant to a Support Agreement entered into as part of the Plan of Arrangement, an amount equal to the aggregate retraction price ($57.50 per share) of all Resources preferred shares originally outstanding as a result of the Plan of Arrangement plus one quarterly dividend thereon was deposited with a trustee, to be held by the trustee for the benefit of Resources and to be applied to the retraction obligation of Resources on December 31, 1984. Under the Support Agreement, Dome and affiliates of Dome have continuing obligations with respect to the payment of the amounts required to pay dividends on the Resouces preferred shares and with respect to the maintenance of the Canadian dollar equivalent of the funds held in trust.

(ii) Dome

The investment in Dome, carried at cost and since July 2, 1982 classified under "short-term securities", consists of 4,110,517 preferred shares, series D. Under an agreement entered into on February 26, 1982 Dome agreed to increase the effective dividend rate on the preferred shares series D from 7.25% to 9% per annum from December 1, 1981 and to retract or purchase these shares for $61.7 million cash on July 2, 1982. Dome did not retract these shares on the agreed date but, under an agreement entered into on July 9, 1982, agreed to repurchase these shares no later than October 8, 1982 and consequently the Company reclassified this investment under "short-term securities". As part of this arrangement, Dome agreed to pay to the Company, in lieu of dividends, interest from July 2, 1982 to the date of repurchase at a variable rate per annum equal to the sum of 2% and the domestic prime interest rate of a Canadian chartered bank. The Company subsequently agreed to extend the due date to December 31, 1982, then to February 28, 1983 and then to March 31, 1983. While it is the Company's intention to press for payment, it is uncertain whether Dome, in its present circumstances, will meet this repurchase obligation on that date.

As a result of the Plan of Arrangement described above the Company acquired 10,315,116 Dome common share purchase warrants, each warrant entitling the holder to purchase one common share of Dome at an exercise price of $23.1125 per share until December 31, 1984. The warrants are carried at nominal value. The quoted market value of Dome common shares on the Toronto Stock Exchange on January 31, 1983 and January 31, 1982 was $4.40 and $12.375, respectively. The warrants were quoted at $.175 on January 31, 1983.

d) Natural resource joint ventures

Natural resource joint venture activities of Roxy were in the exploratory stage until January 31, 1982 and accordingly all costs incurred to that date were capitalized. Roxy's share of such natural resource joint ventures is summarized as follows:

	This Year	Last Year
	$ 000's	$ 000's
Oil and gas properties	**163,709**	156,542
Accounts receivable	**20,600**	8,150
Other assets	**1,913**	621
Accounts payable and accrued expenses	**(26,417)**	(14,455)
Investment in natural resource joint ventures	**159,805**	150,858
Revenue	**17,584**	–
Expenses		
Production and operating costs	**3,940**	–
Interest	**3,172**	–
Depletion and depreciation	**8,205**	–
Other	**3,613**	–
	18,930	–
Pre-tax loss of natural resource joint ventures	**1,346**	–

e) Other

Other investments include interests in merchandising companies carried at cost plus the Company's equity in undistributed earnings since acquisition.

8. LONG-TERM DEBT

Long-term debt comprises the following:

	This Year $ 000's	Last Year $ 000's
Secured on property:		
Hudson's Bay Company Properties Limited		
5¾% first mortgage bonds series A due 1990	**9,216**	9,366
7½% first mortgage bonds series B due 1991	**6,433**	6,483
11½% first mortgage bonds series C due 1995	**25,548**	26,988
9⅞% first mortgage bonds series D due 1997	**37,875**	39,068
10 % first mortgage bonds series E due 1998	**30,051**	31,283
Hudson's Bay Company Developments Limited		
Mortgages, 10.2% average (last year 11.5%), repayable by instalments to 2002	**15,436**	19,030
Markborough Properties Limited		
Mortgages and obligations on property for future development, 10.7% average (last year 14.2%), repayable by instalments to 1990	**140,029**	139,430
Mortgages on income properties, permanent financing, 9.6% average (last year 9.7%), repayable by instalments to 2004	**30,201**	43,357
Mortgages on income properties, interim financing, 12.0% average (last year 18.2%), payable and maturing in 1983	**38,130**	44,233
Micmac Shopping Centre Limited		
9½% first mortgage bonds repayable by instalments to 1999	**11,575**	11,827
Roxy Petroleum Ltd.		
Term loan, 13.875%, due 1987	**15,000**	–
11% promissory note due 1982	**–**	3,750
Term bank loans, bank prime rate plus ¼%, due 1986	**–**	3,113
Term bank loans, bank prime rate plus 1%, repayable by instalments to 1988	**–**	13,181
Other	**4,949**	6,302
	364,443	397,411
Secured on accounts receivable:		
Hudson's Bay Company Acceptance Limited		
5¾% debentures series B due 1983	**10,000**	10,000
13¼% debentures series C due 1989 (a)	**4,628**	4,628
8¾% debentures series D due 1991	**20,000**	20,000
8¼% debentures series E due 1993	**20,000**	20,000
10½% debentures series F due 1996	**29,000**	30,489
13¾% debentures series G due 2001	**55,318**	58,189
Simpsons Acceptance Company Limited		
5½% debentures series C due 1982	**–**	10,000
5¾% debentures series D due 1984	**10,000**	10,000
6¾% debentures series E due 1986	**10,000**	10,000
8⅜% debentures series F due 1992	**10,000**	10,000
8⅜% debentures series G due 1992	**15,000**	15,000
9⅞% debentures series H due 1997	**21,226**	21,880
	205,172	220,186
Secured by floating charge on assets of subsidiaries:		
Zellers Inc.		
7 % sinking fund debentures series C due 1986	**2,688**	2,713
10¼% sinking fund debentures series 1974 due 1994	**10,426**	10,776
Marshall Wells Limited		
7½% sinking fund debentures series A due 1982	**–**	792
	13,114	14,281

	This Year $ 000's	Last Year $ 000's
Unsecured:		
Hudson's Bay Company		
13¾% series D notes due 1986	**50,000**	50,000
Floating rate series F notes due 1986 and 1987 (b)	**47,500**	40,000
16½% series G notes due 1986	**1,000**	1,000
18 % notes due 1987	**60,000**	60,000
13¾% notes due 1987 (U.S. $60,000,000)	**75,000**	–
10½% debentures due 1989	**53,520**	60,000
17 % notes due 1989	**40,000**	–
11½% debentures due 1990 (U.S. $75,000,000)	**93,750**	90,000
10 % debentures due 1994 (U.S. $44,205,000 and U.S. $50,000,000, respectively)	**55,256**	60,000
15.36% term loan due 1997 (£5,592,000)	**10,624**	–
Bankers' acceptances (c)	**288,000**	288,000
Simpsons Limited		
5¾% debentures series D due 1984	**26**	26
5¾% debentures series E due 1985	**1,152**	1,152
6½% debentures series F due 1987	**2,766**	3,260
9½% debentures series G due 1989	**6,051**	6,155
8⅜% debentures series H due 1993	**11,495**	11,901
9⅛% debentures series I due 1994	**6,832**	7,676
11¾% debentures series J due 1995	**14,864**	16,364
	817,836	695,534
Subordinated:		
Zellers Inc.		
5½% convertible subordinated debentures series 1971 due 1991 (d)	**1,013**	1,081
	1,401,578	1,328,493
Less amounts due within one year	**76,485**	70,466
	1,325,093	1,258,027

a) The holders of Hudson's Bay Company Acceptance Limited series C debentures have the right to be prepaid on March 2, 1985.

b) The floating rate series F notes bear interest at 3% above the average monthly deposit rates of two Canadian chartered banks.

c) Bankers' acceptances, which are due within one year, have been classified as long-term debt as they may be converted, at the Company's option, to long-term borrowing facilities expiring at various dates from April 1, 1985 to April 1, 1989, provided by the Company's bankers.

d) The holders of Zellers Inc. 5½% convertible subordinated debentures series 1971 have the right until September 1991 to exchange such debentures for ordinary shares of Hudson's Bay Company at the rate of 32.43 ordinary shares per $1,000 of debenture principal.

The majority of the long-term debt is subject to redemption at the option of the issuers at various times or under certain conditions. For the most part, redemption earlier than within three or four years of maturity of the securities would require the payment of redemption premiums.

Aggregate maturities and sinking fund requirements during the five years ending January 31, 1988 are as follows:

1984 – $ 76,485,000; 1985 – $ 33,645,000; 1986 – $127,857,000; 1987 – $379,372,000; 1988 – $165,367,000.

9. PENSIONS

The amount shown in the Consolidated Balance Sheet at January 31, 1983 is adequate to provide for all unfunded pension liabilities. Funding payments are expected to extinguish substantially all of the unfunded liabilities over the next eight years.

10. CAPITAL STOCK

The authorized classes of shares of the Company consist of an unlimited number of ordinary shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. Unlimited numbers of the preferred shares have been designated as "redeemable preferred shares series B", "$1.512 convertible redeemable preferred shares series D" and "redeemable preferred shares series E", 11,750,000 shares have been designated as "$1.80 cumulative redeemable preferred shares series A", 800,000 have been designated as "variable rate, cumulative redeemable preferred shares series C", 4,500,000 have been designated as "$2.25 cumulative redeemable exchangeable preferred shares series F" and 4,500,000 have been designated as "$2.25 cumulative redeemable preferred shares series G".

Shares issued and outstanding at January 31, 1983 and the changes during the two years then ended are as follows:

	Number of Shares	$ 000's
$1.80 cumulative redeemable preferred shares series A (stated capital $22.50 each):		
Issued and outstanding at January 31, 1981	5,730,968	128,947
Less purchased for cash and cancelled in the year ended January 31, 1982	(186,179)	(4,189)
Issued and outstanding at January 31, 1982	5,544,789	124,758
Less purchased for cash and cancelled in the year ended January 31, 1983	(232,326)	(5,228)
Issued and outstanding at January 31, 1983	5,312,463	119,530
Variable rate, cumulative redeemable preferred shares series C (stated capital $25.00 each):		
Issued and outstanding at January 31, 1982 and January 31, 1983	800,000	20,000
$1.512 convertible redeemable preferred shares series D (stated capital $18.00 each):		
Issued in the year ended January 31, 1982 to the holders of Zellers Inc. shares in payment for shares of that company	117,172	2,109
Less purchased for cash and cancelled in the year ended January 31, 1982	(4,406)	(80)
Less converted into ordinary shares in the year ended January 31, 1982	(414)	(7)
Issued and outstanding at January 31, 1982	112,352	2,022
Less purchased for cash and cancelled in the year ended January 31, 1983	(211)	(4)
Less converted into ordinary shares in the year ended January 31, 1983	(5,487)	(98)
Issued and outstanding at January 31, 1983	106,654	1,920
Redeemable preferred shares series E (stated capital $0.0203 each):		
Issued in the year ended January 31, 1982 to the holders of Zellers Inc. shares in payment for shares of that company	441,301,800	8,958
Less redeemed for cash in the year ended January 31, 1982	(441,301,800)	(8,958)
Issued and outstanding at January 31, 1982 and January 31, 1983	–	–

	Number of shares	$ 000's
Ordinary shares:		
Issued and outstanding at January 31, 1981	23,712,529	249,701
Issued in the year ended January 31, 1982:		
Under the employee share purchase plan	569,135	12,868
On conversion of series D shares	251	7
On conversion of Zellers Inc. 5½% convertible subordinated debentures series 1971	2,817	87
Less purchased for cash and cancelled in the year ended January 31, 1982	(507,551)	(5,423)
Issued and outstanding at January 31, 1982	23,777,181	257,240
Issued in the year ended January 31, 1983:		
Under the employee share purchase plan	148,880	2,699
On conversion of series D shares	3,373	98
On conversion of Zellers Inc. 5½% convertible subordinated debentures series 1971	2,202	68
Less purchased for cash and cancelled in the year ended January 31, 1983	(61,584)	(666)
Issued and outstanding at January 31, 1983	23,870,052	259,439

The Company may not redeem the series A shares prior to December 31, 1983. Thereafter, these shares may be redeemed at the Company's option at prices varying from $23.50 at January 1, 1984 to $22.50 after December 31, 1988.

The holders of the series C shares are entitled to receive dividends at the rate of 7.35% until September 15, 1984. On that date and thereafter at five-year intervals the rate will be 52% of the average of the five-year guaranteed investment certificate rate of certain trust companies plus 2%. The shares may be redeemed at the Company's option at their issue price at certain intervals after September 15, 1984.

The Company may not redeem the series D shares prior to February 1, 1984. Under certain circumstances, these shares are redeemable from February 1, 1984 to January 31, 1986 at $18.90. Thereafter, these shares may be redeemed at prices varying from $18.90 at February 1, 1986 to $18.00 after January 31, 1991. Each series D share is convertible into 0.6154 ordinary shares at the holder's option until January 31, 1986 and thereafter into 0.5625 ordinary shares until January 31, 1991, after which date it will cease to be convertible.

Each of the series F shares, issued on February 10, 1983 (see note 15), entitles the holder to acquire three class B shares of Simpsons-Sears Limited, owned by the Company and held in escrow by the Royal Trust Company (see note 7 (a)), until March 31, 1990 or until earlier redemption by the Company. The holder may exercise this right by either requiring the Company to redeem the series F share at $25.00 and directing the proceeds to be used to pay for three class B shares of Simpsons-Sears Limited or making a cash payment of $25.00 to purchase three class B shares and converting the series F share into one series G share of the Company. The Company may not otherwise redeem the series F shares prior to April 1, 1986. Thereafter, under certain circumstances, these shares may be redeemed at prices varying from $26.00 at April 1, 1986 to $25.00 after March 31, 1992.

The Company may redeem the series G shares after March 31, 1988 at prices varying from $26.00 at April 1, 1988 to $25.00 after March 31, 1992. After the expiration of the exchange privilege attached to the series F shares and before the redemption of all of such series F shares, a holder of series G shares will have the right to convert such shares on a share for share basis into series F shares.

The cost of shares redeemed or purchased for cash and cancelled in each of the two years ended January 31, 1983 has been allocated as follows:

	Cost	Allocated to		
		Capital stock	Additional paid-in capital	Retained earnings
	$ 000's	$ 000's	$ 000's	$ 000's
In the year ended January 31, 1982:				
Series A shares	2,737	4,189	(1,452)	–
Series D shares	71	80	(9)	–
Series E shares	79,434	8,958	70,476	–
Ordinary shares	12,095	5,423	69	6,603
	94,337	18,650	69,084	6,603
In the year ended January 31, 1983:				
Series A shares	2,936	5,228	(2,292)	–
Series D shares	3	4	(1)	–
Ordinary shares	1,226	666	8	552
	4,165	5,898	(2,285)	552

11. ADDITIONAL PAID-IN CAPITAL

The amount at January 31, 1983 and the changes during the two years then ended are as follows:

	This Year	Last Year
	$ 000's	$ 000's
Amount at beginning of year	**5,509**	4,117
Excess of proceeds over stated value of Series E shares issued	–	70,476
Excess of stated value over cost (or vice versa) of shares redeemed or purchased for cash and cancelled	**2,285**	(69,084)
Amount at end of year	**7,794**	5,509

12. CONTINGENCIES

The Company has contingent commitments, along with others, relating to its investments in certain shopping centre companies and joint ventures. In the event that the Company had to meet any of these contingencies it would have a claim on the assets of the applicable development.

13. LEASES

a) As lessee

The Company conducts a substantial part of its merchandising operations from leased premises. All leases involving the Company as lessee have been accounted for as operating leases.

Rental expenses charged to earnings amount to $86,349,000 (last year $76,718,000).

The future minimum rental payments required under leases having initial or remaining noncancellable lease terms in excess of one year are summarized as follows:

	$ 000's
Year ended January 31, 1984	76,096
1985	72,085
1986	66,169
1987	62,629
1988	59,668
Thereafter	897,636
Total minimum lease payments	1,234,283

In addition to these rental payments (and, in a few cases, relatively minor contingent rentals), the leases generally provide for the payment by the Company of real estate taxes and other related expenses.

b) As lessor

The Company leases space to others in a number of regional shopping centres and commercial properties. All of these leases are classified as operating leases.

Fixed assets in the Consolidated Balance Sheet include real estate leased to others under operating leases amounting to $207,100,000 (last year $227,000,000), net of accumulated depreciation of $17,000,000 (last year $14,800,000).

Real estate revenues include rentals from the above properties of $37,400,000 (last year $32,900,000).

14. RELATED PARTY TRANSACTIONS

The Company is involved in numerous transactions with related parties in the ordinary course of its business. None of these transactions is significant in relation to these consolidated financial statements.

15. EVENT SUBSEQUENT TO YEAR-END

On February 10, 1983 the Company issued 4,500,000 $2.25 cumulative redeemable exchangeable preferred shares series F (see note 10). The net proceeds of $108,337,000 were used to reduce short-term bank indebtedness.

Approval of Consolidated Financial Statements

The consolidated financial statements, contained on pages 25 to 36, including the notes thereto, have been reviewed by the Audit Committee of the Board of Directors, a majority of whom are outside directors, and have been approved by the Board on the recommendation of the Audit Committee.

On behalf of the Board:

Director

Director

Toronto, Canada
March 18, 1983

Peat, Marwick, Mitchell & Co.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet and the consolidated statement of assets employed of Hudson's Bay Company as at January 31, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Hudson's Bay Company as at January 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Canada
March 18, 1983

Hudson's Bay Company
Ten Year Consolidated Financial Summary

	1982	1981
Results for the year (in thousands of dollars)		
Sales and revenue:		
Retail	**3,427,378**	3,443,040
Wholesale	**485,153**	497,058
Fur	**38,311**	42,604
Merchandising	**3,950,842**	3,982,702
Real estate	**126,945**	173,003
Natural resources	**60,884**	16,737
	4,138,671	4,172,442
Fur consignment sales	**360,146**	405,913
Source of earnings:		
Retail	**7,696**	81,858
Wholesale	**10,016**	13,060
Fur	**4,342**	12,058
Merchandising	**22,054**	106,976
Real estate	**47,012**	67,035
Natural resources	**60,584**	16,248
Operating profit	**129,650**	190,259
Interest expense	**(261,307)**	(244,307)
Earnings (loss) before income taxes and minority interest	**(131,657)**	(54,048)
Income taxes	**8,677**	57,208
Earnings (loss) before minority interest	**(122,980)**	3,160
Minority interest	**800**	573
Earnings (loss) before extraordinary items	**(122,180)**	3,733
Extraordinary items	**(5,420)**	382,435
Net earnings (loss)	**(127,600)**	386,168
Dividends paid:		
Preferred shares	**11,437**	11,746
Ordinary shares	**17,815**	28,510
Cancellation of ordinary shares	**552**	6,603
Increase (decrease) in retained earnings	**(157,404)**	339,309
Cash flow	**(104,670)**	51,044
Capital expenditures	**120,335**	147,600
Depreciation	**59,827**	51,414
Year end financial position (in thousands of dollars)		
Merchandising	**2,217,831**	2,210,637
Real estate	**673,851**	620,697
Natural resources	**531,723**	579,127
Assets employed	**3,423,405**	3,410,461
Debt	**2,306,074**	2,133,906
Minority interest	**68,296**	69,270
Shareholders' equity	**1,049,035**	1,207,285
Results per ordinary share (in dollars)		
Earnings (loss) before extraordinary items	**(5.63)**	(.34)
Net earnings (loss)	**(5.86)**	15.78
Dividends	**.75**	1.20
Shareholders' equity	**38.00**	44.58
Shareholders and employees		
Number of ordinary shareholders	**18,300**	19,300
Ordinary shares outstanding (in thousands)	**23,870**	23,777
Range in share price (in dollars)	**23–15**	30⅝–20¼
Number of employees	**45,000**	48,000

Note: Where appropriate, figures have been restated for the purpose of comparability.

1980	1979	1978	1977	1976	1975	1974	1973
3,190,191	2,847,927	1,432,712	1,019,831	992,575	892,766	780,854	641,063
460,356	408,434	356,967	323,810	263,461	231,995	190,875	153,456
63,342	66,302	42,568	34,059	26,987	21,178	22,304	21,190
3,713,889	3,322,663	1,832,247	1,377,700	1,283,023	1,145,939	994,033	815,709
83,828	96,263	48,712	36,004	52,945	32,174	17,852	4,294
16,169	16,283	15,343	13,686	10,480	8,020	6,308	5,853
3,813,886	3,435,209	1,896,302	1,427,390	1,346,448	1,186,133	1,018,193	825,856
491,507	511,628	329,773	283,000	244,344	185,252	175,661	167,250
153,314	177,755	76,495	40,912	34,922	34,868	32,308	27,666
11,856	8,737	7,392	8,064	7,622	6,897	5,808	4,051
17,556	26,508	11,092	7,706	6,286	4,537	4,719	4,968
182,726	213,000	94,979	56,682	48,830	46,302	42,835	36,685
33,349	26,300	17,842	14,856	23,207	14,615	10,313	2,191
15,735	16,283	15,343	13,686	10,480	8,020	6,308	5,852
231,810	255,583	128,164	85,224	82,517	68,937	59,456	44,728
(136,533)	(113,741)	(47,868)	(37,351)	(33,443)	(26,669)	(24,493)	(11,460)
95,277	141,842	80,296	47,873	49,074	42,268	34,963	33,268
(30,541)	(52,073)	(29,757)	(16,095)	(21,184)	(18,548)	(15,514)	(15,158)
64,736	89,769	50,539	31,778	27,890	23,720	19,449	18,110
(10,186)	(9,423)	(5,894)	(1,897)	(3,080)	(1,716)	(1,029)	(446)
54,550	80,346	44,645	29,881	24,810	22,004	18,420	17,664
18,811	23,175	98,367	–	–	–	–	–
73,361	103,521	143,012	29,881	24,810	22,004	18,420	17,664
11,874	10,866	–	–	–	–	–	–
28,455	25,481	16,111	9,181	8,391	8,362	8,286	7,661
–	–	–	–	–	–	–	–
33,032	67,174	126,901	20,700	16,419	13,642	10,134	10,003
102,000	127,260	75,312	48,209	47,645	42,760	34,010	29,795
172,329	124,977	58,915	43,075	38,163	29,586	41,715	56,588
43,909	38,886	21,301	16,473	14,598	13,157	11,485	9,314
1,880,989	1,716,207	1,495,531	580,461	505,857	445,564	451,201	378,913
507,876	375,979	285,332	222,686	208,179	163,793	156,791	137,794
165,402	133,561	134,084	29,595	23,881	20,142	17,763	16,305
2,554,267	2,225,747	1,914,947	832,742	737,917	629,499	625,755	533,012
1,639,498	1,343,484	1,124,318	535,470	463,473	375,184	387,187	306,543
53,557	49,598	58,505	21,308	20,022	17,973	16,618	16,180
861,212	832,665	732,124	275,964	254,422	236,342	221,950	210,289
1.80	2.98	2.74	2.12	1.77	1.58	1.33	1.29
2.59	3.98	8.79	2.12	1.77	1.58	1.33	1.29
1.20	1.10	.91	.65	.60	.60	.60	.56
30.01	28.59	25.80	19.50	18.05	16.90	15.93	15.23
20,800	22,500	30,600	20,900	21,900	22,800	24,000	24,500
23,712	23,712	23,092	14,155	14,096	13,985	13,936	13,809
31¾–23	35–21¼	24½–17⅛	19⅛–14⅛	20⅞–13½	18⅝–14¼	20–9¾	22¾–15
47,000	46,000	45,000	20,000	20,000	20,000	20,000	18,000

The Company – A Brief Description

The Company Today

Merchandising
Approximately 560 stores in three retail groups, The Bay, Simpsons and Zellers, serve the diversified needs of Canadians from Newfoundland to the Yukon and from the Arctic Islands to the United States border. The Bay is strongly represented in eleven of Canada's important cities and is the leading retailer throughout the Canadian North. Simpsons operates full-line department stores in eastern Canada. Zellers operates promotional department stores and variety stores across Canada and Fields family clothing stores in the western provinces. Hudson's Bay Wholesale distributes giftwares, confectionery and tobacco products through a network of branches located from coast to coast. The Company's famous blankets and spirits are sold throughout Canada.

The Company maintains its traditional interest in fur, with auction houses in New York, London and Toronto. It also has important investments in Simpsons-Sears and Eaton Bay Financial Services.

Natural Resources
The Company has a 51% interest in Roxy Petroleum Ltd., an intermediate oil company engaged in exploration and production, principally in Canada.

Real Estate
The Company's real estate interests are owned or managed by Markborough Properties Limited, a wholly-owned subsidiary. They consist of whole or partial ownership in shopping centres and commercial buildings and of substantial holdings of land for residential, commercial and industrial development. Real estate holdings are principally in Canada and the southern United States.

Personnel
In its various activities, including Simpsons and Zellers, the Company employs over 45,000 people.

History

Incorporation
King Charles II granted on May 2, 1670 to 18 Adventurers, a Charter incorporating them as The Governor and Company of Adventurers of England trading into Hudson's Bay. This followed the successful voyage of the ketch "Nonsuch", with des Groseilliers aboard, to Hudson Bay to trade for furs.

In 1970, three hundred years after its incorporation, the Company was continued as a Canadian corporation and the headquarters were transferred from the United Kingdom to Canada.

Competition
During the first century of the Company's existence the men on the Bay established forts and traded with the Indians.

As competition from the Montreal-based North West Company increased in the 1770's, the Company moved into the interior and gradually built a network of routes and forts spread out over the North and West. The two rival companies amalgamated under the Hudson's Bay Company name in 1821.

Deed of Surrender
In 1870, by Deed of Surrender, the Company's chartered territory was formally transferred to the Government of Canada in return for farm lands in the prairie provinces which were sold to settlers during the next 85 years.

Following the Deed of Surrender the Company turned its attention to the retail trade, which is now its most important activity.

Twentieth Century
The Company built downtown department stores in each of the major cities of western Canada (1913-1968). It co-founded Hudson's Bay Oil and Gas Company Limited (1926), acquired Henry Morgan & Co. Limited (1960), A.J. Freiman Limited (1971) and 35% of Siebens Oil & Gas Ltd. (1973). It acquired control of Markborough Properties Limited (1973), Simpsons Limited (1978) and Zellers Inc. (1978), and disposed of its Siebens investment (1979). It acquired control of Roxy Petroleum (1980) and disposed of its HBOG investment (1982).

Top left: The Company's first store in Vancouver opened in January 1887

Top right: Governor visits Port Burwell, 1934

Bottom left: Vancouver store on Granville, circa 1933

Bottom right: Fur Brigade leaves Montreal for the West, 1820's